

# Freddie Mac

## Multiclass Certificates



### REMIC Certificates

### MACR Certificates

#### The Certificates

Freddie Mac issues and guarantees Multiclass Certificates, including REMIC Certificates and MACR Certificates. The Certificates are securities that represent interests in pools of assets that are held in trust for investors and are backed by single-family residential mortgages.

REMIC Certificates include:

- Multiclass GSE Securities, which receive their payments from Underlying GSE Securities.
- Multiclass GNMA Securities, which receive their payments from GNMA-Related Securities.

MACR Certificates receive their payments from related REMIC Certificates.

#### Freddie Mac's Guarantee

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

#### Freddie Mac Will Provide More Information for Each Offering

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

#### Tax Status and Securities Law Exemptions

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

**The Certificates may not be suitable investments for you. You should not purchase Certificates unless you have carefully considered and are able to bear the associated prepayment, interest rate, yield and market risks of investing in them. The *Risk Factors* section beginning on page 11 highlights some of these risks.**

Offering Circular dated June 3, 2019

If you intend to purchase Certificates, you should rely only on the information in this Offering Circular, in the disclosure documents that we incorporate by reference in this Offering Circular as stated under *Additional Information* and in the related offering circular supplement (“**Supplement**”) for those Certificates. We have not authorized anyone to provide you with different information.

This Offering Circular, the related Supplement and any Incorporated Documents may not be correct after their dates.

If the Certificates you purchase are Commingled Certificates, we refer you to the applicable Fannie Mae Offering Materials for information regarding the related underlying Assets that are securities issued by Fannie Mae.

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

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*Appendix I — Index of Terms* shows the page numbers where definitions of capitalized terms appear. *Appendix II* contains our standard definitions and abbreviations for various types of Certificates.

## FREDDIE MAC

### General

Freddie Mac was chartered by Congress in 1970 under the Federal Home Loan Mortgage Corporation Act (the “**Freddie Mac Act**”). Our statutory mission is to provide liquidity, stability and affordability to the U.S. housing market. We do this primarily by purchasing residential mortgages originated by lenders. In most instances, we package these mortgages into mortgage-related securities, which are guaranteed by us and sold in the global capital markets. In addition, we transfer mortgage credit risk exposure to private investors through our credit risk transfer programs, which include securities- and insurance-based offerings. We also invest in mortgages and mortgage-related securities. We do not originate mortgage loans or lend money directly to mortgage borrowers.

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

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

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

### Conservatorship

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

## ADDITIONAL INFORMATION

### Documents Incorporated by Reference

Our common stock is registered with the Securities and Exchange Commission (the “SEC”) under the Securities Exchange Act of 1934 (“Exchange Act”). As a result, we file annual, quarterly and current reports, proxy statements and other information with the SEC.

As described below, we incorporate certain documents by reference in this Offering Circular, which means that we are disclosing information to you by referring you to those documents rather than by providing you with separate copies. We incorporate by reference in this Offering Circular:

- Our most recent Annual Report on Form 10-K, filed with the SEC.
- All other reports we have filed with the SEC pursuant to Section 13(a) of the Exchange Act since the end of the year covered by that Form 10-K, excluding any information “furnished” to the SEC on Form 8-K.
- All documents that we file with the SEC pursuant to Section 13(a), 13(c) or 14 of the Exchange Act after the date of this Offering Circular and prior to the termination of the offering of the related Certificates, excluding any information we “furnish” to the SEC on Form 8-K.
- The current offering circular for our Mortgage Participation Certificates and any related supplements (together, the “**PC Offering Circular**”).
- The current offering circular for our Giant Certificates, Stripped Giant Certificates, Stripped Interest Certificates, Callable Pass-Through Certificates and Structured Pass-Through Certificates and any related supplements (together, the “**Giant Offering Circular**”).
- The current offering circular for our Uniform Mortgage-Backed Securities and Mortgage-Backed Securities and any related supplements (together, the “**UMBS and MBS Offering Circular**”).
- The current offering circular for our Supers, Giant MBS, Stripped Certificates, Callable Pass-Through Certificates and Structured Pass-Through Certificates and any related supplements (together, the “**Supers and Giant MBS Offering Circular**”).
- The current offering circular for our Uniform Mortgage-Backed Securities Mirror Certificates, Mortgage-Backed Securities Mirror Certificates, Supers Mirror Certificates and Giant Mortgage-Backed Securities Mirror Certificates and any related supplements (together, the “**Mirror Certificates Offering Circular**”).

These documents are collectively referred to as the “**Incorporated Documents**” and are considered part of this Offering Circular. You should read this Offering Circular and the related Supplement in conjunction with the Incorporated Documents. Information that we incorporate by reference will automatically update information in this Offering Circular. Therefore, you should rely only on the most current information provided or incorporated by reference in this Offering Circular and the related Supplement. In addition, we provide updated information regarding each specific Series and the Assets backing such Series on our internet website at [www.freddiemac/mbs/security-lookup/](http://www.freddiemac/mbs/security-lookup/).

You may read and copy any document we file with the SEC at the SEC's public reference room at 100 F Street, N.E., Washington, D.C. 20549. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. The SEC also maintains an internet website at <http://www.sec.gov> that contains reports, proxy and information statements, and other information regarding companies that file electronically with the SEC.

You can obtain, without charge, copies of this Offering Circular, the Incorporated Documents, the Trust Agreement and the related Supplement under which Certificates are issued from:

<p><b>Freddie Mac — Investor Inquiry</b> <b>1551 Park Run Drive</b> <b>McLean, Virginia 22102-3110</b> <b>Telephone: 1-800-336-3672</b> <b>E-mail: <a href="mailto:Investor_Inquiry@freddiemac.com">Investor_Inquiry@freddiemac.com</a></b></p>
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We also make these documents available on our internet website at this address:

**Internet Website\*: [www.freddiemac.com](http://www.freddiemac.com)**

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\* We are providing this and other internet addresses solely for the information of investors. We do not intend these internet addresses to be active links and we are not using references to these addresses to incorporate additional information into this Offering Circular or any Supplement, except as specifically stated in this Offering Circular.

The mortgage securities section of our website (located at <http://freddiemac.com>) will also be updated, from time to time, with information regarding material developments or other events that may be important to investors. You should access this website on a regular basis for such updated information.

This Offering Circular relates to Certificates issued on and after June 3, 2019. For information about Certificates issued before that date, see the related Offering Circular (available on our internet website) that was in effect at the time of issuance of those Certificates. Under the Trust Agreement described in this Offering Circular, Freddie Mac has agreed to act as Trustee for and to administer all existing Certificates substantially in accordance with the Trust Agreement, as described in this Offering Circular. See *The Trust Agreement*.

### **Fannie Mae Offering Materials**

Certain mortgage-backed securities issued by the Federal National Mortgage Association, or “**Fannie Mae**,” may be included as Assets backing Certificates. With respect to such Assets, we refer you to Fannie Mae’s SEC filings, prospectuses and other offering documents for information regarding any securities issued by Fannie Mae (the “**Fannie Mae Offering Materials**”). The Fannie Mae Offering Materials include:

- Fannie Mae’s most recent Annual Report on Form 10-K, filed with the SEC.
- All other reports Fannie Mae has filed with the SEC pursuant to Section 13(a) of the Exchange Act since the end of the year covered by that Form 10-K.

- All documents that Fannie Mae files with the SEC pursuant to Section 13(a), 13(c) or 14 of the Exchange Act after the date of this Offering Circular and prior to the termination of the offering of the related Certificates.
- Fannie Mae's current Fannie Mae Guaranteed Mortgage Pass-Through Certificates (Single-Family Residential Mortgage Loans) Prospectus, Fannie Mae Guaranteed MBS Pass-Through Securities (Mega Certificates) Prospectus and Fannie Mae Guaranteed Single-Family REMIC Pass-Through Certificates Prospectus and any related supplements, and other Fannie Mae offering documents related to Fannie Mae-issued securities underlying Commingled Certificates.

In connection with the offering of each Series of Certificates that contains Commingled Certificates, neither we nor any Underwriter (a) has made, or will make, any due diligence investigation of the business, operations (including underwriting and loan acquisition practices) or condition, financial or otherwise, or creditworthiness, of Fannie Mae, (b) has verified, or will verify, any reports or information filed by Fannie Mae with the SEC or made available by Fannie Mae on its website or (c) has made, or will make, any representation regarding the accuracy or sufficiency of any Fannie Mae Offering Materials. It is strongly recommended that prospective investors in any Certificates backed by Commingled Certificates review the applicable Fannie Mae Offering Materials. The issuance of Commingled Certificates should not be construed as an endorsement by Freddie Mac or any Underwriter of the financial condition or business prospects of Fannie Mae.

**SUMMARY**

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

**Depositor, Trustee, Administrator  
and Guarantor . . . . .**

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

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

**REMIC Certificates . . . . .**

As Depositor, we transfer and deposit mortgage-related assets that we have created or acquired into various trust funds established pursuant to the Trust Agreement. As Administrator, on behalf of the Trustee for these trust funds, we create and issue under the Trust Agreement “**REMIC Certificates**” representing beneficial ownership interests in “**REMIC Pools**,” which are pools of assets held by those trust funds. We issue REMIC Certificates in series (“**Series**”), each consisting of two or more “**REMIC Classes**.”

“**Multiclass GSE Securities**” are REMIC Certificates backed, directly or indirectly, by Underlying GSE Securities. “**Multiclass GNMA Securities**” are REMIC Certificates backed, directly or indirectly, by GNMA Certificates and/or Freddie Mac Giant Securities.

**MACR Certificates . . . . .**

Some Series include Classes (“**MACR Classes**”) of Modifiable and Combinable REMIC Certificates (“**MACR Certificates**”). In a Series with MACR Classes, the Holders of specified REMIC Classes can exchange all or part of those Classes for proportionate interests in related MACR Classes and vice versa. The MACR Classes receive payments from their related REMIC Classes.

*Appendix III* describes MACR Certificates and exchange procedures and fees.



**Certificates and Classes** . . . . . In this Offering Circular and related Supplements, we use the term “**Certificates**” to include REMIC Certificates and MACR Certificates, and the term “**Classes**” to include REMIC Classes and MACR Classes.

**Assets and Mortgages** . . . . . The assets in each REMIC Pool (the “**Assets**”) may include Underlying GSE Securities, GNMA Certificates, mortgage securities issued by entities not affiliated with Freddie Mac, Fannie Mae or GNMA or other securities we have created or acquired, all proceeds of those Assets, amounts on deposit in a custodial account of collections from those Assets and the right to receive payments pursuant to our guarantee. The Assets are backed by single-family residential mortgages (the “**Mortgages**”). The Mortgages are secured primarily by first liens on one- to four-family residential properties and may have fixed rates, adjustable interest rates or interest rates subject to step rate increases. The Mortgages underlying certain Assets may have been acquired by Fannie Mae or other parties not affiliated with Freddie Mac.

**Payments** . . . . . As Administrator, we pay principal and interest due on a Class monthly on the applicable Payment Date. Payment Dates generally occur on or about:

- The 25th day of each month, for Classes backed by 55-Day Securities.
- The 15th day of each month, for Classes backed by 45-Day Securities and 75-Day Securities.
- The 17th or 20th day of each month, as applicable, for Classes backed by GNMA Certificates.

• **Interest** . . . . . We pay interest on each Class at its applicable per annum interest rate (“**Class Coupon**”). Interest payable on a Payment Date accrues during the monthly periods specified in the related Supplement. However, interest on Accrual Classes and Partial Accrual Classes is paid only to the extent described in the related Supplements. Principal Only Classes have a Class Coupon of 0% and do not receive interest. Interest payable on an Interest Only Class is calculated on a notional principal amount.

• **Principal** . . . . . We pay principal on the Certificates of each Series on each Payment Date as described in the related Supplement. The Holders of any Class that receives principal payments receive those payments on a pro rata basis, subject to any special allocation procedures that may apply to Retail Classes.



Notional Classes receive interest payments but not principal payments. They have notional principal amounts on which we calculate their interest.

**Retail Classes** . . . . . Some Series include Retail Classes, which are designed primarily for individual investors. We typically issue and pay Retail Classes in \$1,000 increments, or “**Retail Class Units.**” *Appendix IV* describes principal payments on most Retail Classes.

**GMC Classes** . . . . . Some Series include Guaranteed Maturity Classes. Guaranteed Maturity Classes have a Final Payment Date earlier than the latest date by which these Classes might be retired solely from payments on their underlying Assets. *Description of Certificates — Payments — Final Payment Dates — Guaranteed Maturity Classes* describes Guaranteed Maturity Classes and redemption procedures for these Classes.

**Call and Callable Classes** . . . . . Some Series include pairs of Certificates, each consisting of a “**Callable Class**” and a “**Call Class**” that represent the entire beneficial interest in a callable pass-through pool. The Assets of such a pool consist of a REMIC Class from the same Series. The Holder of the Callable Class will be entitled to all of the interest and principal payments on the related Assets. The Holder of the Call Class will not receive payments of principal and interest, but will have the right to direct Freddie Mac to redeem the related Callable Class and to exchange the Call Class for the related Assets. The procedures for exercising the call right, including the redemption period, redemption notice, exchange fees and call payments required to exercise the call right, will be described in the related Supplement. Only one Holder is permitted to hold a Call Class of Certificates at any time.

A Series may also include one or more “Callable Classes” of REMIC Certificates, representing interests in a REMIC Pool, the primary Asset of which is a callable class of CPCs. Such Asset is issued in a pair, together with a call class of CPCs, and will be redeemable at the direction of the holder of that call class of CPCs. As described in the related Supplement, such a redemption of the related Asset will result in the concurrent retirement of each Callable Class of REMIC Certificates.

**Guarantee** . . . . . As Guarantor, we guarantee to Holders of each Class the timely payment of interest at the applicable Class Coupon and the payment of its principal amount as described in the related Supplement, including payment in full by its Final Payment Date. In the case of a Holder of a Call Class, we also guarantee all proceeds due to the Holder upon exercise of its call right. **Principal and interest payments on the Certificates are not guaranteed by, and are not debts or obligations of, the United States or any federal agency or instrumentality other than Freddie Mac.**

In the event our Conservator were to repudiate our guarantee obligation, the ability of Holders of Certificates to enforce the guarantee obligation would be limited to actual direct compensatory damages. The rights of Holders to bring proceedings against Treasury are limited if we fail to pay under our guarantee. See *The Trust Agreement — Rights Upon Event of Default*. Our Conservator has advised us that it has no intention of repudiating the guarantee obligation because it views repudiation as incompatible with the goals of our conservatorship.

**Trust Agreement** . . . . . As Trustee, we issue Certificates from each REMIC Pool according to the Trust Agreement, which we summarize in this Offering Circular. You should refer to the Trust Agreement for a complete description of your rights and obligations and those of Freddie Mac as Depositor, Trustee, Administrator and Guarantor.

**REMIC Election and Tax Status of the Certificates** . . . . . As Administrator, we will elect to treat each REMIC Pool as a real estate mortgage investment conduit (“**REMIC**”) under the Internal Revenue Code of 1986 (the “**Code**”). “**Regular Classes**” constitute “regular interests” in their related REMIC Pools and each “**Residual Class**” constitutes the “residual interest” in its related REMIC Pool.

In general, Regular Classes are taxed as debt instruments, but Residual Classes are not. Special tax rules apply to Residual Classes. These rules often impose tax liabilities on Residual Classes that exceed any payments they receive. You should consult your tax advisor before purchasing a Residual Class.

The arrangements under which MACR Classes are created (“**MACR Pools**”) will be classified as grantor trusts for federal income tax purposes.

**Accounting Considerations** . . . . . Various factors may influence the accounting treatment applicable to the Certificates of a Series. You should consult your own accountant regarding the appropriate accounting treatment for Certificates or an exchange of Certificates.

**Form of Certificates** . . . . . Each Supplement will specify the form of the Certificates offered by that Supplement.

- Non-Retail Regular and MACR Classes in most cases are issued, held and transferable on the book-entry system of the Federal Reserve Banks (the “**Fed System**”).
- Retail Classes and certain other Regular and MACR Classes are issued, held and transferable on the book-entry system (the “**DTC System**”) of The Depository Trust Company or its successor (“**DTC**”).
- We issue certain Classes, including all Residual and Call Classes, in registered certificated form. They are transferable at our office, in our capacity as registrar, or at the office of any successor registrar we designate (the “**Registrar**”). You may contact Freddie Mac as Registrar through our Investor Inquiry Department or at:

Freddie Mac — Office of Registrar  
1551 Park Run Drive, MS D5B  
McLean, VA 22102

**Holders** . . . . . As an investor in Certificates, you are not necessarily the Holder of those Certificates. You ordinarily must hold your Certificates through one or more financial intermediaries. You may exercise your rights as an investor only through the Holder of your Certificates, and we may treat the Holder as the absolute owner of your Certificates. The term “**Holder**” means:

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

## RISK FACTORS

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

### PREPAYMENT AND YIELD FACTORS:

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

**Substantial repurchases of seriously delinquent Mortgages could materially affect the prepayment rates of the Assets backing your Certificates.** In November 2018, at the direction of FHFA, we implemented a strictly date-based automated process to initiate Mortgage repurchases, in most instances, at no more than 120 days after the due date of the last paid installment. Any variance from this process must be submitted to FHFA. In addition, we may depart from these repurchase practices in the case of natural disasters.

See the applicable Fannie Mae Offering Materials for information on Fannie Mae's practices with respect to repurchases of seriously delinquent Mortgages from pools formed by Fannie Mae.

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

Depending on the level of borrower response to our loan modification initiatives and the number of borrowers who qualify for such refinancings and modifications, the increase in prepayments on certain Mortgages could be material. Generally, refinancings and modifications of Mortgages result in prepayments to investors in an amount equal to the unpaid principal balance of the affected Mortgages. We cannot predict the number of borrowers who will qualify for, or participate in, these programs or the rate of prepayments on the related Certificates. However, borrowers that take advantage of such programs may later experience difficulties refinancing their Mortgages on market terms, which may later decrease prepayments on such modified or refinanced Mortgages as a result.

See the applicable Fannie Mae Offering Materials for information on the refinance, modification and other loss mitigation programs applicable to Mortgages purchased by Fannie Mae.

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

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

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

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

**Callable Classes are subject to redemption risks.** If you own a Callable Class, a redemption of the underlying Assets will be similar in its principal payment effect to a full prepayment of all the related Mortgages. After a Callable Class becomes redeemable, its value is not likely to exceed, and may be lower than, its redemption price.

**Index levels can reduce your yield if you own a Floating Rate or Inverse Floating Rate Class.** The yield on your Class could be lower than you expect:

- If you own a Floating Rate Class and the levels of the applicable Index are lower than you expect.
- If you own an Inverse Floating Rate Class and the levels of the applicable Index are higher than you expect.

If you buy an Interest Only Floating Rate Class, you may not even recover your investment if the level of the applicable Index is low or prepayments are fast. If you buy an Interest Only Inverse Floating Rate Class, you may not even recover your investment if the level of the applicable Index is high or prepayments are fast.

**Classes that support other Classes are more sensitive to prepayment rates.** If you own a Class, such as a Support Class, that supports the principal payment stability of other Classes, your Class is likely to be more sensitive to prepayment rates than are any Classes it supports. You may not receive principal payments on your Class for extended periods of time, and you may receive principal payments that change significantly from period to period. The same may be true if the Assets underlying your Certificates include a previously issued Class that supports other Classes in its own Series.

**Classes may not adhere to their principal payment schedules.** If you own a Class, such as a PAC, TAC or Scheduled Class, that was structured to receive principal payments in accordance with a schedule, we cannot assure you that your Class will adhere to that schedule. In most cases, such Classes do not adhere to their schedules after a period of time has elapsed. Your Class will become more sensitive to Mortgage prepayments after its own supporting Classes are retired. Moreover, your Class may support other Classes. The same may be true if the Assets underlying your Certificates include a previously issued Class that was structured to receive principal payments in accordance with a schedule in its own Series.

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

**General economic conditions could adversely affect your Certificates.** Changes in economic conditions and the condition of the residential housing market could adversely affect your Certificates in a number of ways. The rate and number of mortgage payment delinquencies remain high.

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



## INVESTMENT FACTORS:

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

**The Certificates are subject to liquidity risk.** Illiquidity can have a severely negative impact on the prices of the Certificates, especially those that are particularly sensitive to prepayment or interest rate risk. The Certificates are not traded on any exchange and the market price of a particular issuance of Certificates or a benchmark price may not be readily available. The Underwriter for each issuance of Certificates intends to make a market for the purchase and sale of the related Certificates after they are issued, but has no obligation to do so. A secondary market for some types of Certificates may not develop. Even if a market develops, it may not continue. As a result, you may not be able to sell your Certificates easily or at prices that will allow you to realize your desired yield. The secondary markets for the Certificates have experienced periods of illiquidity in the past, and can be expected to do so again in the future. Our financial condition, our conservatorship, uncertainty concerning our future structure and organization, including whether we will continue to exist, the level of governmental support for Freddie Mac and market perceptions or speculation concerning such factors, as well as perceptions as to the relative success of the single security initiative, could materially affect the liquidity and pricing of your Certificates. Similar concerns with respect to Fannie Mae could materially affect the liquidity and pricing of your Certificates, particularly if you own Commingled Certificates. Moreover, adverse national or global financial and political developments may materially affect the liquidity and pricing of your Certificates. These could include, among others: the disruption of international and domestic credit markets, recessionary or weak economic conditions in the U.S. and in foreign countries (including those countries that own and trade our Certificates and other mortgage-backed securities), severe contraction in the residential mortgage credit market and the demise and consolidation of several major securities broker-dealers and financial institutions (including substantial mortgage originators). See *Prepayment and Yield Factors — General economic conditions could adversely affect your Certificates.*

**The Certificates are subject to market risk.** You will bear all of the market risks of your investment. The market values of your Certificates will vary over time in response to, among other factors: the level of, and changes in, prevailing interest rates; the age and other characteristics of Mortgages backing your Certificates; the number of and outstanding principal balance of other Certificates with similar characteristics; and the availability of comparable securities. Financial, regulatory and legislative developments concerning Freddie Mac generally, including whether we are in conservatorship or receivership, could affect prices for your Certificates. In addition, any adverse change in the market perception of our level of governmental support or credit standing could reduce the market price of the Certificates. Similar developments or perceptions with respect to Fannie Mae could affect the prices of your Certificates, particularly if you own Commingled Certificates. If you



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

**Your ability to exchange REMIC Certificates and MACR Certificates may be limited.** You must own specific Classes in the correct proportions to enter into an exchange involving MACR Certificates. If you do not own such specific Classes, you may not be able to obtain them because:

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

**Changes to, or elimination of, LIBOR could adversely affect your investment in the Classes with Class Coupons based on LIBOR.** On July 27, 2017, the U.K. based Financial Conduct Authority (the “FCA”) announced its intention to cease sustaining LIBOR after 2021. The FCA indicated that it does not intend to sustain LIBOR through using its influence or legal powers beyond that date. It is possible that ICE and the panel banks could continue to produce LIBOR on the current basis after 2021, if they are willing and able to do so, but we cannot assure you that LIBOR will survive in its current form, or at all. In the event ICE ceases to set or publish a rate for LIBOR, we will select an alternative index. If, prior to the time that ICE may cease to set or publish a rate for LIBOR, a new industry standard index is adopted, we may elect, in our sole discretion, to use such standard index in lieu of LIBOR. We may add an adjustment factor to any alternative or new industry standard index as we deem appropriate to better achieve comparability to the current index and other industry practices. We cannot predict the effect of the FCA’s decision not to sustain LIBOR, or, if changes are ultimately made to LIBOR, the effect of those changes. In addition, we cannot predict what alternative index would be chosen should this occur. If LIBOR in its current form does not survive or if an alternative index is chosen, the market value and/or liquidity of Classes with Class Coupons based on LIBOR could be adversely affected.

**The adoption of an alternative index in response to changes to, or the elimination of, LIBOR could result in adverse tax consequences to your investment in the Classes with Class Coupons based on LIBOR.** In the absence of guidance, the tax consequences of adopting an alternative index to replace LIBOR are unclear. It is possible that the adoption of an alternative index could be treated as a significant modification under Section 1001 of the Code, resulting in a deemed taxable exchange that could result in the realization of gain or loss. Any such modification would affect Classes with Class Coupons based on LIBOR. See *Certain Federal Income Tax Consequences — Adoption of an Alternative Index*.

**Changes to, or elimination of, SOFR could adversely affect your investments in the Classes with Class Coupons based on SOFR.** SOFR is a relatively new interest rate index and may not become widely established in the market or could eventually be eliminated. Further, the way that SOFR and market accepted adjustments to SOFR are determined may change over time. See

*Appendix V — Interest Rate Indices — SOFR* for a description of SOFR and a discussion of some of the issues applicable to SOFR Classes.

**Changes to, or elimination of, an Index could adversely affect your investment in the Classes with Class Coupons based on such Index.** Changes to, or the elimination of, an Index could adversely affect your investment in the Classes with Class Coupons based on such Index. If an Index ceases to be published, then we reserve the right to choose an alternative index. If an Index in its current form does not survive or if an alternative index is chosen, the market value and/or liquidity of Classes with Class Coupons based on such Index could be adversely affected.

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

**Potential conflicts of interest.** In connection with the Certificates that we issue, we act in multiple roles — Trustee, Depositor, Administrator and Guarantor. Further, we act in these same roles with respect to all the securities that we issue backing your Certificates. The applicable master trust agreement pursuant to which any such underlying securities are issued (each, an “**Underlying Trust Agreement**”) provides that in determining whether a Mortgage will be repurchased from the related securities pool, we may in our capacities as the Administrator and Guarantor of such securities consider factors as we deem appropriate, including the reduction of administrative costs (in the case of the Administrator) and possible exposure under our guarantee (in the case of the Guarantor). There is no independent third party engaged with respect to any such underlying securities we issue or Certificates to monitor and supervise our activities in our various roles. In connection with our roles as the Administrator and Guarantor of any such underlying securities that we issue, we may take certain actions with respect to Mortgages that may adversely affect Certificate Holders. For example, we may repurchase, or direct sellers or servicers to repurchase, Mortgages from the securities pools we form underlying your Certificates in certain situations. A Mortgage repurchase will be treated as a prepayment in full of the Mortgage being repurchased and will increase the prepayment speeds of the related Certificates. See *Prepayment and Yield Factors — Substantial repurchases of seriously delinquent Mortgages could materially affect the prepayment rates of the Assets backing your Certificates* and — *Increased Mortgage refinance, modification and other loss mitigation programs could materially affect Mortgage prepayment speeds*.

See the applicable Fannie Mae Offering Materials for information about potential conflicts of interest with respect to Fannie Mae’s securities.

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

**Your Certificates may not be fungible with comparable Fannie Mae-issued securities.** The goal of the single security initiative is for Freddie Mac-issued TBA-eligible securities (i.e., UMBS and Supers) and Fannie Mae-issued TBA-eligible securities to be fungible with each other for purposes of fulfilling transactions in the TBA market. The Assets underlying the Certificates may include, among other collateral, UMBS and/or Supers, so if this is not achieved, the value and liquidity of your Certificates could be adversely affected. For more information on the single security initiative and Freddie Mac- and Fannie Mae-issued TBA-eligible and non-TBA-eligible securities, see *Single Security Initiative, the CSP and Commingling*.

The Securities Industry and Financial Markets Association (“SIFMA”), through its “good-delivery guidelines,” has an important role in determining the fungibility of Freddie Mac- and Fannie Mae-issued TBA-eligible securities in a single, combined TBA market for Freddie Mac and Fannie Mae (the “Enterprises”). On March 7, 2019, SIFMA announced that it revised its good-delivery guidelines to permit UMBS TBA contracts to be settled by delivery of UMBS issued by either Freddie Mac or Fannie Mae. If SIFMA were to change its position on the fungibility of Freddie Mac- and Fannie Mae-issued UMBS and revise its good-delivery guidelines to prohibit or limit the ability to deliver UMBS issued by either Enterprise to settle TBA contracts, the value and liquidity of your Certificates could be adversely affected.

The cash flows on comparable cohorts of the Enterprises’ TBA-eligible securities could diverge, which could adversely affect the fungibility of Freddie Mac- and Fannie Mae-issued TBA-eligible securities. For example, investors may not accept delivery of UMBS issued by Freddie Mac in settlement of TBA contracts unless the cash flows of the securities are similar to comparable TBA-eligible securities issued by Fannie Mae. FHFA, Freddie Mac and Fannie Mae are taking actions designed to ensure the alignment of cash flows across comparable cohorts of the Enterprises’ TBA-eligible securities. For example, under the UMBS Rule, Freddie Mac and Fannie Mae are required to align programs, policies and practices that affect the prepayment rates of their TBA-eligible mortgage-backed securities. However, notwithstanding these actions, it is possible that cash flows on particular cohorts of the Enterprises’ TBA-eligible securities could diverge for periods of time.

FHFA’s and Treasury’s support are critical to the success of the single security initiative and the fungibility of Freddie Mac- and Fannie Mae-issued TBA-eligible securities. There is a risk that FHFA or Treasury may cease supporting the initiative in the future, due to changes in the leadership or priorities of FHFA or Treasury, or other factors.

It is possible that investors could prefer Fannie Mae-issued TBA-eligible securities to Freddie Mac-issued TBA-eligible securities, notwithstanding the various actions and efforts to promote fungibility. Investors have historically preferred the mortgage-related securities of Fannie Mae to those of Freddie Mac, as evidenced by price performance disparities between comparable Freddie Mac Gold PCs and Fannie Mae MBS. This preference could continue. Our UMBS and Supers are an integral aspect of our mortgage purchase program. If investors prefer Fannie Mae-issued TBA-eligible securities to Freddie Mac-issued TBA-eligible securities, our competitiveness in purchasing single-family mortgages from our sellers and the volume of our new single-family guarantee business could be adversely affected. In turn, this could adversely affect the volume of UMBS or Supers we issue, which could adversely affect the value and liquidity of your Certificates.

Uncertainty concerning the extent of the alignment between the mortgage purchase, servicing and securitization practices of Freddie Mac and Fannie Mae may affect the degree to which UMBS and Supers receive widespread market acceptance. These or other factors could result in an increase in stipulated trades for Fannie Mae-issued UMBS or Supers, which could adversely affect the value and liquidity of your Freddie Mac-issued UMBS. A stipulated trade is a trade in which the investor stipulates that it will accept delivery only of a security issued by one Enterprise or another, e.g., a Fannie Mae- or Freddie Mac-issued UMBS.

**The transition to the new UMBS and Supers securities may be delayed or may be perceived to be unsuccessful.** As part of the single security initiative, Freddie Mac and Fannie Mae will both commence issuing new common securities, UMBS and Supers, on June 3, 2019. This is a significant change for the mortgage market, particularly for investors, dealers and other participants in the market

for Freddie Mac and Fannie Mae mortgage securities. Key market participants will need to make significant changes to trading processes and systems. Market participants may also need to change their business operations or governing documentation (including, but not limited to, those related to applicable diversification or concentration limits). Individual market participants may not be adequately prepared for the transition to UMBS and Supers, which could lead to disruption or delay in the development of a single, combined UMBS TBA market. It may take considerable time for the emergence of a single, combined TBA market for the two Enterprises, or a single, combined TBA market may never fully develop. It is possible that we could experience a disruption in the liquidity of Freddie Mac securities, including the Certificates, during the period in which the mortgage market transitions to UMBS and Supers.

As part of the transition to these new securities, Freddie Mac is offering an optional exchange program to enable holders to exchange eligible Gold PCs and Giant PCs for UMBS Mirror Certificates, MBS Mirror Certificates, Supers Mirror Certificates or Giant MBS Mirror Certificates, as the case may be, plus applicable float compensation in connection therewith. Certain investors may decide not to exchange their Gold PCs and Giant PCs in the exchange offer, which could adversely affect the tradable supply of UMBS or Supers (including Freddie Mac-issued UMBS or Supers) or our MBS or Giant MBS.

Market assessments and speculation concerning the relative success of the transition to the UMBS TBA market and our exchange offer could also adversely affect the value and liquidity of your Certificates.

**The markets for our Certificates could be disrupted if the CSP were to fail or otherwise become unavailable to us. You could experience delays in receiving payments on your Certificates in the event of a systems problem or other adverse event affecting the CSP.** We will rely on the common securitization platform (“CSP”) and Common Securitization Solutions, LLC (“CSS”) (which owns and operates the CSP) for performance of certain significant functions related to our Certificates, including certain functions performed on behalf of the Trustee. For example, the CSP will be used to perform certain data acceptance, issuance support and bond administration activities for us related to the Certificates, including calculations of payments and ongoing reporting to investors. With respect to Commingled Certificates (i.e., Certificates that are backed, in whole or in part, by Fannie Mae-issued securities), we will rely entirely on CSS for information about the underlying Fannie Mae securities used to calculate payments made on such Commingled Certificates and ongoing reporting (i.e., monthly factors) provided to the Holders of such Commingled Certificates. The CSP will also be used to enable commingling of certain Freddie Mac-and Fannie Mae-issued securities in resecuritization transactions as described herein. These activities are complex and present significant operational and technological challenges and risks. Our business activities would be adversely affected and the market for our securities would be disrupted if the CSP were to fail or otherwise become unavailable to us or if CSS were unable to perform its obligations to us, including as a result of an operational failure by Fannie Mae. Any measures we take to mitigate these challenges and risks might not be sufficient to prevent a disruption in our securitization activities related to our Certificates. For example, we will rely upon the CSP to calculate the Class Factor for each Class of Certificates. If the CSP were to fail to calculate the Class Factors for a particular Accrual Period, and such failure was not remedied prior to the related Payment Date, we would make any payments of interest only based upon the most recently published Class Factors and you would not receive any principal payments on such Payment Date.

**As a result of operational changes to applicable payment processes in connection with the single security initiative, you may face increased risk that we may fail to make a timely payment on your Certificates.** We rely on the Federal Reserve Banks to make payments on the vast majority of our Certificates (as well as payments on other types of Freddie Mac mortgage-backed securities) to the appropriate Holders' accounts. Similarly, Fannie Mae relies on the Federal Reserve Banks to make payments on various types of Fannie Mae mortgage-backed securities. As a result of operational changes to applicable payment processes made in connection with the single security initiative, the Federal Reserve Banks will not make any payments on a Payment Date with respect to our or Fannie Mae's mortgage-backed securities payable on that date until 100% of the amounts payable on all such securities have been funded by Freddie Mac or Fannie Mae, as applicable. As a result, if Fannie Mae were to fail (for credit or operational reasons) on any Payment Date to provide funds for a full payment on any Fannie Mae-issued UMBS, Supers, REMIC or RCR Class or other security payable on that date, we would be responsible for making the entire payment on all such Fannie Mae-issued UMBS, Supers or REMIC or RCR Classes that we securitized in order for any Freddie Mac-issued UMBS, MBS, Supers, Giant MBS, Mirror Certificates, Certificates or other securities to be paid on that Payment Date. If we failed to provide the Federal Reserve Banks with all funds to make such payment, the Federal Reserve Banks would not make any payment on any of our outstanding Freddie Mac-issued UMBS, MBS, Supers, Giant MBS, Mirror Certificates, Certificates or other securities to be paid on that Payment Date, regardless of whether such Freddie Mac-issued securities were backed by Fannie Mae-issued securities.

## **COMMINGLING FACTORS**

**The value of your Certificates may decline if investors are unable or unwilling to commingle their eligible Fannie Mae- and Freddie Mac-issued securities.** An important feature of the single security initiative is that certain Freddie Mac-issued securities (e.g., Freddie Mac-issued UMBS and Supers) are designed as described herein to be commingled with certain Fannie Mae-issued securities (e.g., Fannie Mae-issued UMBS and Supers), and vice versa, in securitizations. This presents significant risks, as the Enterprises have not attempted to commingle their securities before. It is possible that investors and market participants may not be able to commingle eligible Freddie Mac- and Fannie Mae-issued securities due to operational or systems problems or failures at Freddie Mac, Fannie Mae, CSS or market participants. It is also possible that investors may choose not to commingle eligible Fannie Mae-issued securities with eligible Freddie Mac-issued securities. Any of these events could adversely affect the value of your Certificates. For more information about commingling, see *Single Security Initiative, The CSP and Commingling*.

**You will rely on Fannie Mae for certain disclosures related to your Commingled Certificates.** Certain of the pool- and loan-level disclosures related to Commingled Certificates will be provided by Fannie Mae. We are not able to, and will not, validate these disclosures. Any disclosures provided by Fannie Mae could be inaccurate, out of date or otherwise incorrect. Fannie Mae could also experience systems failures or other events that could prevent it from producing pool- and loan-level disclosures in a timely manner. Any of these events could adversely affect the value of your Commingled Certificates.

**The Fannie Mae mortgages and securities underlying your Commingled Certificates may perform differently than comparable Freddie Mac mortgages and securities, which could adversely affect the value of your Commingled Certificates.** The mortgages underlying Fannie Mae-issued securities (e.g., Fannie Mae-issued UMBS and Supers) were acquired by Fannie Mae.



Freddie Mac and Fannie Mae have aligned certain of their mortgage servicing standards. However, the Enterprises' respective servicing standards are not identical, and Fannie Mae mortgages and Freddie Mac mortgages may have different cash flow rates and generally may perform differently. This may be the case particularly with respect to older mortgages, as they will not have benefited from the Enterprises' more recent initiatives to align certain standards.

**Adverse changes in Fannie Mae's performance, or market perceptions about Fannie Mae's performance, could adversely affect the value of your Certificates, even if your Certificates are not backed by Fannie Mae securities.** The single security initiative will create significant connections between the single-family mortgage securitization programs of Freddie Mac and Fannie Mae, as the initiative provides for the Enterprises to issue common securities (UMBS and Supers) that can be commingled in resecuritizations, such as Commingled Certificates, and are designed to trade in a single, combined TBA market. Due to these connections, it is possible that the value of your Certificates could be affected by events relating to Fannie Mae, even if those events do not directly affect Freddie Mac. For example, any actual or perceived adverse change in Fannie Mae's financial performance or condition, mortgage credit quality, or systems and data reliability could adversely affect the value of your Certificates, even if your Certificates are not backed by Fannie Mae securities. Any disruption in Fannie Mae's securitization activities or any adverse events affecting Fannie Mae's significant mortgage sellers and servicers could also adversely affect the value of your Certificates, even if your Certificates are not backed by Fannie Mae securities.

When we resecuritize eligible Fannie Mae securities in Commingled Certificates, our guarantee would cover principal and interest on such Commingled Certificates that are payable from such underlying Fannie Mae securities. In the event Fannie Mae were to fail to make a payment on a Fannie Mae security that we resecuritized as a Commingled Certificate, Freddie Mac would be responsible for making the payment. We will not control or limit the amount of resecuritized Fannie Mae securities that we could be required to guarantee. We will be dependent on FHFA, Fannie Mae and Treasury (pursuant to Fannie Mae's and our respective purchase agreements with Treasury) to avoid a liquidity event or default. We are not planning to modify our liquidity strategies to address the possibility of non-timely payments by Fannie Mae.

#### **GOVERNANCE FACTORS:**

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

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

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

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

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

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

In addition, we could be put into receivership at the discretion of the Director of FHFA at any time for a number of reasons as set forth under the Reform Act. Several bills considered by Congress in the past several years provided for Freddie Mac to be placed into receivership. In addition, FHFA could be required to place us into receivership if Treasury is unable to provide us with funding requested under the Purchase Agreement to address a deficit in our net worth. Treasury might not be able to provide the requested funding if, for example, the U.S. government were not fully operational because Congress had failed to approve funding or if the U.S. government reached its borrowing limit and, as a result, Treasury was unable to obtain funds sufficient to cover the request.

Being placed into a receivership would terminate the current conservatorship. The purpose of receivership is to liquidate our assets and resolve claims against us. The appointment of FHFA as our receiver would terminate all rights and claims that our stockholders and creditors may have against our assets or under our charter as a result of their status as stockholders or creditors, other than possible payment upon our liquidation.

If FHFA were to become our receiver, it could exercise certain powers that could adversely affect Holders. As receiver, FHFA could repudiate any contract entered into by us prior to its appointment as receiver if FHFA determines, in its sole discretion, that performance of the contract is burdensome and that repudiation of the contract promotes the orderly administration of our affairs. The Reform Act requires that any exercise by FHFA of its right to repudiate any contract occur within a reasonable period following its appointment as receiver. FHFA has defined such reasonable period to be 18 months.



If FHFA, as receiver, were to repudiate our guarantee obligations, the receivership estate would be liable for actual direct compensatory damages as of the date of receivership under the Reform Act. Any such liability could be satisfied only to the extent our assets were available for that purpose.

Moreover, if our guarantee obligations were repudiated, payments of principal and/or interest to Holders would be reduced in the event of any borrowers' late payments or failure to pay or a servicer's failure to remit borrower payments to the trust. In that case, trust administration and servicing fees could be paid from payments on the Assets prior to distributions to Holders of Certificates. Any actual direct compensatory damages owed due to the repudiation of our guarantee obligations may not be sufficient to offset any shortfalls experienced by Holders. Holders would experience delays in receiving payments on their Certificates because the relevant systems are not designed to make partial payments.

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

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

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

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

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

## APPLICATION OF PROCEEDS

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

## CREDIT RISK RETENTION

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

## SINGLE SECURITY INITIATIVE, THE CSP AND COMMINGLING

Under the direction of FHFA, we implemented the single security initiative, which is intended to increase the liquidity of the to-be-announced ("TBA") market. The single security initiative provides for Freddie Mac and Fannie Mae to issue a single (common) mortgage-related security, called the "**Uniform Mortgage-Backed Security™**" or "**UMBS™**". Each of Freddie Mac and Fannie Mae are able to issue a "**Supers**" mortgage-backed security, which is a resecuritization of UMBS, Supers and certain other TBA-eligible securities. As part of the single security initiative, Freddie Mac also issues a non-TBA-eligible mortgage-backed security referred to as an "**MBS.**" As noted below, Fannie Mae also issues a mortgage-backed security referred to as an MBS. In addition, Fannie Mae issues mortgage-backed securities referred to as "**Megas.**" Certain Megas may be commingled with Freddie Mac-issued securities as described below.

The CSP is a shared securitization infrastructure that performs certain securitization functions previously executed in-house separately by each of Freddie Mac and Fannie Mae. CSS owns and operates the CSP. CSS is jointly owned by Freddie Mac and Fannie Mae. CSS performs certain significant securities administration functions related to our Certificates and securities backing such Certificates, including calculations of payments and ongoing reporting to investors. While we exercise influence over CSS through our representation on the CSS Board of Managers, we do not control its day-to-day operations. CSS' day-to-day operations are managed by CSS management, which is overseen by the CSS Board of Managers. The Board of Managers consists of two Freddie Mac representatives and two Fannie Mae representatives.

In December 2016, we and FHFA announced the implementation of Release 1 of the CSP. Under Release 1, we began using the CSP for data acceptance, issuance support and bond administration activities related to certain Freddie Mac single-family fixed-rate mortgage-related securities.

Release 2 of the CSP was implemented on June 3, 2019. Release 2 added to the functionality of the CSP by, among other things, enabling commingling in resecuritizations of certain Freddie Mac-issued securities and Fannie Mae-issued securities, as discussed below. As part of Release 2, each of Freddie Mac and Fannie Mae began to issue UMBS and Supers.

Freddie Mac is offering an optional exchange program to enable holders to exchange certain eligible existing Gold mortgage participation certificates (“**Gold PCs®**”) and Giant mortgage participation certificates (“**Giant PCs®**”) for “**UMBS Mirror Certificates™**,” “**MBS Mirror Certificates™**,” “**Supers Mirror Certificates™**” or “**Giant MBS Mirror Certificates™**” (as such terms are defined in the Mirror Certificates Offer Circular; we collectively refer to such certificates as “**Mirror Certificates**”), as the case may be, and receive applicable float compensation in connection therewith, as described in the Mirror Certificates Offering Circular.

Under this Offering Circular, we can issue Certificates that are backed, in whole or in part, by Fannie Mae-issued UMBS or Supers or Fannie Mae REMIC or RCR Classes to the extent such securities are backed entirely by TBA-eligible collateral. We refer to such Certificates as “**Commingled Certificates.**” In general:

- UMBS Mirror Certificates and Fannie Mae-issued UMBS can back Certificates in the same manner as Freddie Mac-issued UMBS;
- Supers Mirror Certificates and Fannie Mae-issued Supers can back Certificates in the same manner as Supers issued by Freddie Mac; and
- Fannie Mae REMIC or RCR Classes that are backed entirely by TBA-eligible collateral can back Certificates in the same manner as REMIC and MACR Certificates.

For purposes of this Offering Circular, “**TBA-eligible**” means that the Mortgages underlying the type of securities qualified by the term are considered “good delivery” by the Securities Industry and Financial Markets Association in satisfaction of unspecified trades in the TBA market. “**Legacy**,” as used in connection with securities, refers to Fannie Mae-issued MBS and Megas and Freddie Mac Gold PCs and Giant PCs issued, in each case, prior to the implementation of the single security initiative on June 3, 2019.

Freddie Mac-issued UMBS and Supers are designed to qualify for good delivery under guidelines announced by SIFMA on March 7, 2019, in satisfaction of unspecified TBA trades covering corresponding comparable Fannie Mae-issued UMBS and Supers, respectively, and vice versa.

Freddie Mac-issued MBS, MBS Mirror Certificates, Giant MBS and Giant MBS Mirror Certificates cannot be commingled with Fannie Mae-issued securities. However:

- MBS Mirror Certificates can back Certificates in the same manner as Freddie Mac MBS; and
- Giant MBS Mirror Certificates can back Certificates in the same manner as Giant MBS.

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

“**UMBS**” are TBA-eligible single-class securities entitled to payment of both principal and interest received on the related assets and include (i) UMBS issued by Freddie Mac under the UMBS and MBS Offering Circular, (ii) UMBS Mirror Certificates issued by Freddie Mac under the Mirror Certificates Offering Circular and (iii) UMBS and Legacy TBA-eligible MBS issued by Fannie Mae under the applicable Fannie Mae Offering Materials. Supplements for Certificates backed by UMBS will incorporate by reference the current applicable Freddie Mac offering circular. In addition, we strongly recommend that you review the applicable Fannie Mae Offering Materials for Commingled Certificates which are backed in whole or in part by securities issued by Fannie Mae. For all UMBS,

there is a delay of approximately 55 days between the time interest begins to accrue and the securityholder receives its interest payment.

“**Supers™**” are TBA-eligible single-class securities entitled to payment of both principal and interest received on the related assets and include (i) Supers issued by Freddie Mac under the Supers and Giant MBS Offering Circular, (ii) Supers Mirror Certificates issued by Freddie Mac under the Mirror Certificates Offering Circular and (iii) Supers and Legacy TBA-eligible Megas issued by Fannie Mae under the applicable Fannie Mae Offering Materials. Supplements for Certificates backed by Supers will incorporate by reference the current applicable Freddie Mac offering circular. In addition, we strongly recommend that you review the applicable Fannie Mae Offering Materials for Commingled Certificates which are backed in whole or in part by securities issued by Fannie Mae. For all Supers, there is a delay of approximately 55 days between the time interest begins to accrue and the securityholder receives its interest payment.

“**Freddie Mac MBS**” are non-TBA eligible single-class securities issued by Freddie Mac entitled to payment of both principal and interest received on the related assets and include (i) MBS issued by Freddie Mac under the UMBS and MBS Offering Circular and (ii) MBS Mirror Certificates issued by Freddie Mac under the Mirror Certificates Offering Circular. Supplements for Certificates backed by Freddie Mac MBS will incorporate by reference the current applicable Freddie Mac offering circular. For all Freddie Mac MBS, there is a delay of approximately 55 days between the time interest begins to accrue and the securityholder receives its interest payment.

“**Giant MBS**” are non-TBA eligible single-class securities issued by Freddie Mac entitled to payment of both principal and interest received on the related assets and include (i) Giant MBS issued by Freddie Mac under the Supers and Giant MBS Offering Circular and (ii) Giant MBS Mirror Certificates issued by Freddie Mac under the Mirror Certificates Offering Circular. Supplements for Certificates backed by Giant MBS will incorporate by reference the current applicable Freddie Mac offering circular. For all Giant MBS, there is a delay of approximately 55 days between the time interest begins to accrue and the securityholder receives its interest payment.

## **FHFA UMBS RULE**

On February 28, 2019, FHFA issued a final rule (the “**UMBS Rule**”) to require Fannie Mae and Freddie Mac to align programs, policies and practices that affect investor cash flows of their TBA-eligible mortgage-backed securities.

The UMBS Rule is intended to enhance liquidity in the mortgage-backed securities marketplace, and to that end, enable adoption of UMBS, by achieving sufficient similarity of cash flows on cohorts of the Enterprises’ TBA-eligible mortgage-backed securities such that investors will accept delivery of UMBS from either issuer in settlement of trades on the TBA market.

Under the UMBS Rule, FHFA can require the Enterprises to consult with each other on any issues, including changes to covered programs, policies and practices that potentially or actually cause cash flows to TBA-eligible mortgage-backed securities investors to misalign. Each Enterprise must have an Enterprise-wide governance process to ensure that any proposed changes to covered programs, policies and practices that may cause misalignment are submitted to FHFA for review and approval. FHFA may require an Enterprise to change covered programs, policies and practices that FHFA determines may conflict with the purposes of the UMBS Rule.

The Enterprises must report any misalignment to FHFA. In the event of material misalignment, the Enterprises must also submit a report to FHFA describing the Enterprises' plan to address the material misalignment. FHFA may require additional and expedient Enterprise actions to address material misalignment, including requiring an Enterprise to terminate a program, policy or practice or requiring the competing Enterprise to implement a comparable program, policy or practice.

For purposes of the UMBS Rule:

- “align” means to be sufficiently similar as to produce a CPR divergence of less than two percentage points in the three-month CPR for a cohort and less than five percentage points in the three-month CPR for the fastest paying quartile of a cohort, or as FHFA may temporarily adjust these percentages from time to time;
- “cohort” means all TBA-eligible securities with the same coupon, maturity and loan-origination year where the combined unpaid principal balance of such securities issued by both Enterprises exceeds \$10 billion;
- “covered programs, policies or practices” means management decisions or actions that have reasonably foreseeable effects on cash flows to TBA-eligible mortgage-backed securities investors (e.g., effects that result from prepayment rates and the circumstances under which mortgages are removed from securities) and can include management decisions and actions about: single-family guarantee fees; loan level price adjustments and delivery fee portions of single-family guarantee fees; the spread between the note rate on the mortgage and the pass-through coupon on the TBA-eligible mortgage-backed securities; eligibility standards for sellers and servicers; financial and operational standards for private mortgage insurers; requirements related to the servicing of distressed loans that collateralize TBA-eligible securities; streamlined modification and refinance programs; removal of mortgage loans from securities; servicer compensation; proposals that could materially change the credit risk profile of the single-family mortgages securitized by an Enterprise; selling guide requirements for documenting creditworthiness, ability to repay, and adherence to collateral standards; contract provisions under which certain sellers commit to sell to an Enterprise a minimum share of the mortgage loans they originate that are eligible for sale to the Enterprises; loan modification offerings; loss mitigation practices during disasters; alternatives to repurchase for representation and warranty violations; and other actions;
- “fastest paying quartile of a cohort” means the quartile of a cohort that has the fastest prepayment speeds as measured by the three-month CPR. The quartiles shall be determined by ranking outstanding TBA-eligible securities with the same coupon, maturity, and loan-origination year by the three-month CPR, excluding specified pools, and dividing each cohort into four parts such that the total unpaid principal balance of the pools included in each part is equal;
- “material misalignment” means divergence of at least three percentage points in the three-month CPR for a cohort or at least eight percentage points in the three-month CPR for a fastest paying quartile of a cohort, or a prolonged misalignment (as determined by FHFA);

- “misalign” or “misalignment” means diverge by or a divergence of two percentage points or more in the three-month CPR for a cohort or five percentage points or more, in three-month CPR for a fastest paying quartile of a cohort; and
- “specified pools” means pools of mortgages backing TBA-eligible mortgage-backed securities that have a maximum loan size of \$200,000, a minimum loan-to-value ratio at the time of loan origination of 80 percent, or a maximum FICO score of 700, or where all mortgages in the pool finance investor-owned properties or properties in the states of New York or Texas or the Commonwealth of Puerto Rico.

Under the UMBS Rule, in certain circumstances FHFA has discretion to temporarily adjust the (i) percentages described above in the definitions of “align,” “material misalignment” and “misalign” and (ii) definitions of “cohort,” “fastest paying quartile of a cohort” and “specified pools.” FHFA will publicly announce any temporary adjustments in a timely manner. Temporary adjustments in percentages or definitions may remain in place for six months, after which the percentages and definitions will revert to the previously applicable percentages and definitions. At any time, FHFA may amend the percentages or definitions more permanently by a rulemaking that provides the public with notice and opportunity to comment on FHFA’s proposed changes to the percentages and definitions.

## **DESCRIPTION OF CERTIFICATES**

### **REMIC POOL STRUCTURES**

Each Series may be either a “**Single-Tier Series**” or a “**Double-Tier Series**.”

The REMIC Certificates of a Single-Tier Series represent beneficial ownership interests in a single REMIC Pool within the related trust fund. The REMIC Certificates of a Double-Tier Series represent beneficial ownership interests in an “**Upper-Tier REMIC Pool**” and one or more “**Lower-Tier REMIC Pools**” within the related trust fund.

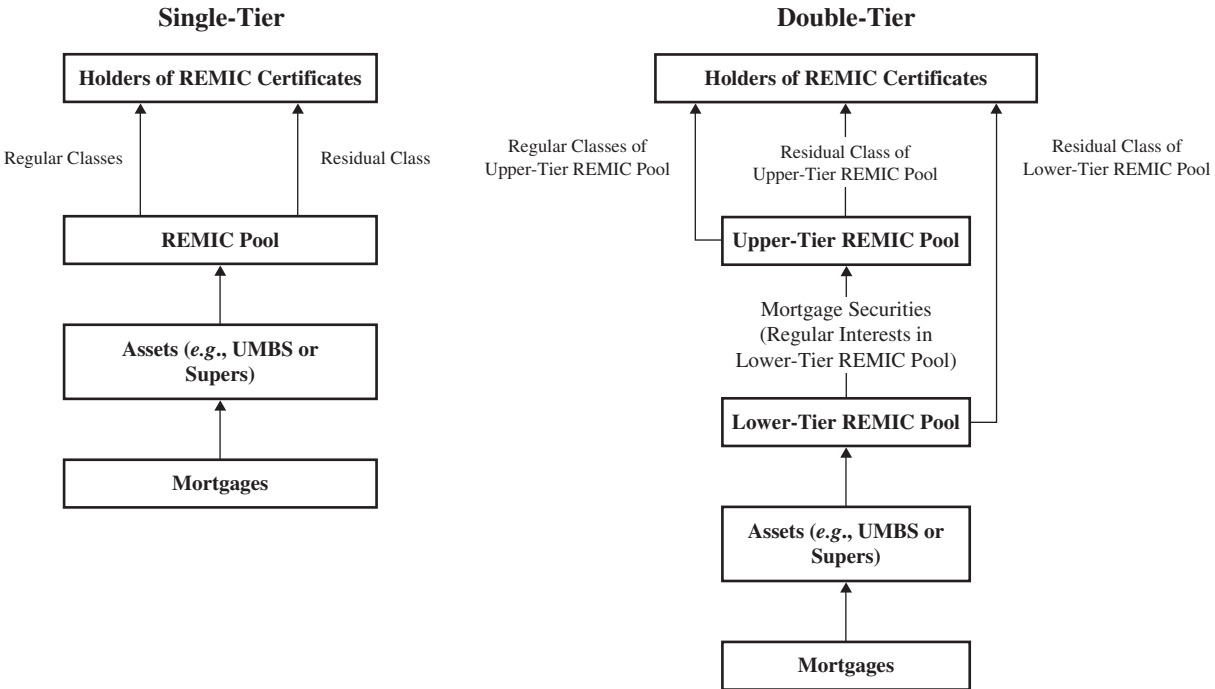
In a Double-Tier Series:

- The Classes issued from each Lower-Tier REMIC Pool (the “**Lower-Tier Classes**”) represent beneficial ownership interests in that Pool.
- One or more Lower-Tier Classes are included in the Upper-Tier REMIC Pool, where they will constitute the “**Mortgage Securities**” of that Pool.
- The Classes issued from the Upper-Tier REMIC Pool (the “**Upper-Tier Classes**”) represent beneficial ownership interests in that Pool.

The REMIC Certificates offered in a Double-Tier Series usually include all of the Upper-Tier Classes plus the Residual Class of each Lower-Tier REMIC Pool.



The following diagrams illustrate the structures for typical Single-Tier and Double-Tier Series. Any particular Series may have a different structure, as described in the related Supplement. For example, Double-Tier Series sometimes include more than one Lower-Tier REMIC Pool, and Series with Guaranteed Maturity Classes include additional REMIC Pools, as described in the related Supplements.



The Classes of Certificates fall into different descriptive categories. Each Supplement will identify the categories applicable to each Class by using standard abbreviations. These abbreviations and their definitions appear in *Appendix II*.

## REMIC POOL ASSETS

### General

Each REMIC Pool includes any one or more of the following Assets:

- UMBS.
- Supers.
- Freddie Mac MBS.
- Giant MBS.
- PCs.
- GNMA-Related Securities.
- Previously or concurrently issued Freddie Mac REMIC or MACR Classes.
- Previously issued Fannie REMIC or RCR Classes that are backed entirely by TBA-eligible collateral.



- Freddie Mac-issued stripped securities as described in the Giant Offering Circular or the Supers and Giant MBS Offering Circular (collectively, “**Freddie Mac Stripped Certificates**”).
- One or more Callable Classes of Freddie Mac Callable Pass-Through Certificates (“**CPCs**”). (CPCs are pass-through securities that consist of related pairs of “Callable Classes” and “Call Classes” as described in the Giant Offering Circular or the Supers and Giant MBS Offering Circular.)
- Eligible securities issued by entities not affiliated with Freddie Mac, Fannie Mae or GNMA, each representing all or part of the direct or indirect beneficial ownership of one or more pools of Mortgages.
- Any other types of securities that are eligible for inclusion in a REMIC and that receive payments directly or indirectly from Mortgages.

Each REMIC Pool may also include cash or other eligible assets. See *The Trust Agreement—Transfer of Assets to REMIC Pool*. In Series with Retail Classes, REMIC Pools usually include non-interest bearing cash deposits in amounts specified in the related Supplement (“**Retail Rounding Accounts**”) to be applied as described in *Appendix IV*. In addition, each trust fund may hold a MACR Pool or other assets that are not part of any REMIC Pool.

In any Series, the underlying Assets may be divided into one or more groups (“**Asset Groups**”). The Supplement for each Series will contain more specific information regarding the Assets for the Series.

The remainder of this section describes the general characteristics of Multiclass GSE Securities and Multiclass GNMA Securities, which may directly or indirectly back Certificates. We use the following terms in this section and elsewhere in this Offering Circular:

- UMBS, Supers, Freddie Mac MBS, Giant MBS, previously issued Freddie Mac securities whose collateral is comprised of one of the preceding types of securities and Fannie Mae REMIC or RCR Classes backed entirely by TBA-eligible collateral are collectively referred to herein as “**55-Day Securities.**”
- Freddie Mac Gold PCs and previously issued securities whose collateral is comprised of Gold PCs are collectively referred to herein as “**45-Day Securities.**”
- Freddie Mac Original PCs and ARM PCs and previously issued securities whose collateral is comprised of Original PCs and ARM PCs are collectively referred to herein as “**75-Day Securities.**”
- 55-Day Securities, 45-Day Securities and 75-Day Securities are collectively referred to herein as “**Underlying GSE Securities.**”

In addition to the securities described below, the underlying Assets may include previously or concurrently issued Freddie Mac REMIC or MACR Classes. The underlying Assets may also include REMIC certificates and related combinable and recombable certificates issued by Fannie Mae pursuant to its Guaranteed Single-Family REMIC Pass-Through Certificates Prospectus that are backed entirely by TBA-eligible collateral (i.e., UMBS and/or Supers); we collectively refer to such certificates as “**Fannie Mae REMIC or RCR Classes.**”

## Underlying GSE Securities

### *UMBS, Supers, Freddie Mac MBS and Giant MBS*

UMBS, Supers, Freddie Mac MBS and Giant MBS are single-class securities as described in *Single Security Initiative, the CSP and Commingling*.

### *PCs*

**“Mortgage Participation Certificates”** are single-class securities, guaranteed by us, that represent undivided interests in pools of Mortgages.

**“PCs”** include Freddie Mac Mortgage Participation Certificates and Freddie Mac Giant PCs. Our PC Offering Circular and Giant Offering Circular describe the characteristics of the various types of PCs. Supplements for Certificates backed by PCs will incorporate by reference the current PC and Giant Offering Circulars.

We ceased issuing Gold PCs on May 31, 2019 and ceased issuing Original PCs in the early 1990s.

If the underlying Mortgages have fixed rates of interest or were modified pursuant to our loan modification initiatives, the Mortgage Participation Certificates may be either Gold PCs or **“Original PCs.”** If the underlying Mortgages have adjustable rates of interest (**“ARMs”**), the related Mortgage Participation Certificates are called **“ARM PCs.”** For all Gold PCs, there is a delay of approximately 45 days between the time interest begins to accrue and the securityholder receives its interest payment. For all Original and ARM PCs, there is a delay of approximately 75 days between the time interest begins to accrue and the securityholder receives its interest payment.

Giant PCs are Freddie Mac Giant Certificates that represent pass-through interests in Mortgage Participation Certificates. Giant PCs have names — **“Gold Giant PCs,” “Original Giant PCs”** and **“ARM Giant PCs”** — that identify their underlying Assets and the applicable Payment Delay.

## Multiclass GNMA Certificates

### *GNMA Certificates*

**“GNMA Certificates”** are mortgage-backed securities that the Government National Mortgage Association (**“GNMA”**) guarantees. GNMA is a corporate instrumentality of the United States within the U.S. Department of Housing and Urban Development (**“HUD”**). GNMA guarantees the timely payment of principal and interest on certificates that are backed by pools of mortgages insured or guaranteed by the Federal Housing Administration, the U.S. Department of Veterans Affairs, the U.S. Department of Agriculture Rural Development (formerly the Rural Housing Service) or HUD.

Investors in GNMA Certificates receive monthly payments of interest and scheduled principal, even if the borrowers on the underlying mortgages have not made their monthly payments. GNMA’s guarantee obligations, unlike Freddie Mac’s, are backed by the full faith and credit of the United States.

Mortgage banking companies and other financial concerns approved by GNMA issue and service GNMA Certificates. GNMA guarantees securities under its GNMA I program (**“GNMA I Certificates”**) and GNMA II program (**“GNMA II Certificates”**). Holders of GNMA I Certificates and GNMA II Certificates have substantially similar rights, although a few differences do exist.

Under the GNMA I program, a single GNMA issuer assembles a pool of mortgages and issues and markets GNMA I Certificates that are backed by that pool. The origination date of mortgages in the pool must be within two years of the date that the related GNMA I Certificates are issued. All mortgages underlying a particular GNMA I Certificate must be of the same type (for example, all single-family, level payment mortgages) and have the same fixed interest rate. The pass-through rate on each GNMA I Certificate is 50 basis points less than the interest rate on the mortgages included in the pool. Holders of GNMA I Certificates receive payments on or about the 15th of each month. GNMA I Certificates have a Payment Delay of approximately 45 days.

Under the GNMA II program, a pool may consist of mortgages submitted by more than one GNMA issuer. The resulting pool backs a single issue of GNMA II Certificates, which each participating issuer markets to the extent that it contributed mortgages to the pool. Each GNMA II Certificate issued from a multiple issuer pool, however, represents an interest in the entire pool, not just in mortgages contributed to the pool by a particular GNMA issuer. GNMA II Certificates also may be backed by a custom pool of fixed-rate mortgages formed by a single issuer. Holders of GNMA II Certificates receive payments on or about the 20th of each month. GNMA II Certificates have a Payment Delay of approximately 50 days.

Each GNMA II Certificate pool consists entirely of fixed-rate mortgages or entirely of ARMs. Fixed-rate mortgages underlying any particular GNMA II Certificate must be of the same type, but may have annual interest rates that vary from each other by up to 100 basis points. The pass-through rate on each fixed-rate GNMA II Certificate will be 50 to 150 basis points per annum, in the case of GNMA II Certificates issued prior to July 1, 2003, and 25 to 75 basis points per annum, in the case of GNMA II Certificates issued on or after July 1, 2003, less than the highest per annum interest rate on any mortgage included in the pool.

ARMs underlying any particular GNMA II Certificate will have interest rates that adjust annually based on the one-year Treasury index. GNMA pooling specifications require that all ARMs in a given pool have an identical first adjustment date, annual interest adjustment date, first payment adjustment date, index reference date and means of adjustment. All of the ARMs underlying a particular GNMA II Certificate issued prior to July 1, 2003 must have interest rates that are 50 to 150 basis points per annum above the interest rate of the GNMA II Certificate. In addition, the mortgage margin for those ARMs must be 50 to 150 basis points per annum greater than the margin for the related GNMA II Certificate. All of the ARMs underlying a particular GNMA II Certificate issued on or after July 1, 2003 must have interest rates that are 25 to 75 basis points per annum above the interest rate of the related GNMA II Certificate. In addition, the mortgage margin with respect to those ARMs must be 25 to 75 basis points per annum greater than the margin for the related GNMA II Certificate. The ARMs and GNMA II Certificates have an annual adjustment cap of  $\pm 1\%$  and lifetime cap of  $\pm 5\%$  above or below the initial interest rate; provided however, that with respect to GNMA II Certificates issued on or after October 1, 2003 and backed by 7-year and 10-year hybrid ARMs, these GNMA II Certificates and the related mortgage loans will be subject to an annual adjustment cap of  $\pm 2\%$  and a lifetime cap of  $\pm 6\%$  above or below the initial interest rate. Thirty days after each annual interest adjustment date, the payment amount of an ARM resets so that its remaining principal balance would fully amortize in equal monthly payments over its remaining term to maturity, assuming its interest rate were to remain constant at the new rate.

Under its "Platinum" program, GNMA guarantees certificates that represent ownership interests in pools of GNMA I Certificates or GNMA II Certificates. The terms "GNMA I Certificates" and "GNMA II Certificates" include certificates guaranteed under the Platinum program.

## *Giant Securities*

“**Giant Securities**” are Freddie Mac Giant Certificates that represent ownership interests in GNMA Certificates. Our Giant Offering Circular describes the characteristics of Giant Securities. Supplements for Certificates backed by GNMA-Related Securities will incorporate by reference the current Giant Offering Circular. We refer to Giant Securities and GNMA Certificates collectively as “**GNMA-Related Securities**.”

## **Mortgages**

Nearly all Mortgages that back Underlying GSE Securities are conventional Mortgages, which means that neither the United States nor any federal agency or instrumentality guarantees or insures them.

Some PCs, Freddie Mac MBS and Giant MBS represent interests in special types of Mortgages, such as relocation Mortgages, cooperative share Mortgages, extended buydown Mortgages, initial interest Mortgages (which we ceased purchasing on or about September 1, 2010), reduced minimum servicing fee Mortgages, biweekly Mortgages, assumable Mortgages, Mortgages modified by us and re-secured, super-conforming Mortgages, jumbo-conforming Mortgages, high LTV Mortgages or prepayment penalty Mortgages (which we ceased purchasing on or about August 1, 2014). These types of Mortgages may prepay differently than standard Mortgages. Subject to our pooling rules, we may combine in a single PC pool jumbo-conforming and super-conforming ARMs, and, in some cases, super-conforming fixed-rate Mortgages.

See the applicable Fannie Mae Offering Materials for information on the Mortgages that back the Fannie Mae securities contained in any Commingled Certificates.

See the PC Offering Circular or the UMBS and MBS Offering Circular, as applicable, and our internet website for information on how Freddie Mac-issued UMBS, PC, Freddie Mac MBS and Giant MBS pool numbers and prefixes indicate the general type of Mortgages backing a Freddie Mac-issued UMBS, PC, Freddie Mac MBS or Giant MBS.

## **PAYMENTS**

### **Payment Delay**

The “**Payment Delay**” is the approximate delay between the first day when the interest begins to accrue and the time the investor receives its interest payment. Unless otherwise described in the related Supplement, the Payment Delay for the securities listed below is:

- 55 days for 55-Day Securities.
- 45 days for 45-Day Securities.
- 75 days for 75-Day Securities.
- 45 days for GNMA I Certificates.
- 50 days for GNMA II Certificates.

## **Class Factors**

### *General*

The CSP will calculate, and as Administrator we will make available each month (including on our internet website), the Class Factor for each Class of Certificates having a principal or notional principal amount.

The “**Class Factor**” for any Class having a principal amount for any month is an exact decimal rounded to eight places which, when multiplied by the original principal amount of a Certificate of that Class, will equal its remaining principal amount. The Class Factor for any month reflects payments of principal (or, in the case of Accrual and Partial Accrual Classes, additions to principal) to be made on the Payment Date:

- In the same month, for Classes backed by 55-Day Securities, 45-Day Securities or GNMA Certificates.
- In the following month, for Classes backed by 75-Day Securities.

Class Factors will be available on or about:

- The fifth Business Day (as defined below) of each month, for Classes backed by Underlying GSE Securities.
- The tenth Business Day of each month, for Classes backed by GNMA Certificates.

A Class Factor for a Notional Class reflects the remaining notional principal amount of a Certificate of that Class in the same manner. The Class Factor for a Retail Class applies to that Class as a whole, not to individual Retail Class Units, and disregards any rounding of principal payments.

You can calculate principal and interest payments by using the Class Factors. For example, the reduction (or for an Accrual or Partial Accrual Class, the increase) in the balance of a Certificate in February (in the case of Certificates backed by 55-Day Securities, 45-Day Securities or GNMA Certificates) or March (in the case of Certificates backed by 75-Day Securities) will equal its original balance times the difference between its January and February Class Factors. The amount of interest to be paid on (or for an Accrual or Partial Accrual Class, added to the principal balance of) a Certificate in February (in the case of Certificates backed by 55-Day Securities, 45-Day Securities or GNMA Certificates) or March (in the case of Certificates backed by 75-Day Securities) will equal 30 days’ interest at its Class Coupon, accrued during the related Accrual Period, on the balance of that Certificate determined by its January Class Factor.

For Component Classes, we also make available “**Component Factors**” for each Component. The Component Factor for a Component is analogous to the Class Factor for a Class. You can obtain Component Factors from our Investor Inquiry Department.

We calculate the Class Factors for MACR Classes and REMIC Classes that are exchangeable for MACR Classes assuming that the maximum possible amount of each Class is outstanding at all times, without regard to any exchanges that may occur.

The Class Factor for each Class for the month of its issuance is 1.00000000.

### *Class Factors for Multiclass GNMA Securities*

We calculate Class Factors for Multiclass GNMA Securities and related MACR Classes by using GNMA Certificate factors reported each month. Currently, the reported factors that we use are

preliminary and subject to revision. In addition, there may not be reported factors for some GNMA Certificates. If a factor has not been reported, we will estimate it on the basis of assumed Mortgage amortization schedules. Our estimate will reflect payment factor information previously reported and estimated subsequent scheduled amortization (but not prepayments) on the related Mortgages.

Because GNMA Certificate factors may be preliminary, and we must estimate factors when reported factors are not available, there may be variances between the principal payments we receive on the GNMA Certificates in any month and the amounts we pay on the related Certificates, as reflected by their Class Factors for that month. However, the Class Factors for any month will reconcile any variances that occurred in the preceding month. Our determination of the Class Factors in the manner described above will be final.

### **Payment Dates**

As Administrator, we make payments to the Holders of Certificates on each applicable Payment Date. Unless otherwise described in the related Supplement, a **“Payment Date”** is:

- For Classes backed by 55-Day Securities, the 25th day of each month or, if the 25th day is not a Business Day, the next Business Day.
- For Classes backed by 45-Day Securities and 75-Day Securities, the 15th day of each month or, if the 15th day is not a Business Day, the next Business Day.
- For Classes backed entirely by GNMA I Certificates, the 17th day of each month or, if the 17th day is not a Business Day, the next Business Day.
- For Classes backed entirely or partly by GNMA II Certificates, the 20th day of each month or, if the 20th day is not a Business Day, the next Business Day.

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

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

### **Payments of Principal**

On each Payment Date, we pay principal to the Holders of each Class on which principal is then due, as described in the related Supplement.

For any Payment Date, the total amount of principal payments to be made on the Classes of any Series equals the sum of:

- Any interest that has accrued on any Accrual or Partial Accrual Classes of that Series during the applicable Accrual Period (as described below) and is not payable as interest on that Payment Date.
- The amount of principal payments required to be made in the same month on the underlying Assets. For Multiclass GNMA Securities, we calculate this amount as described under *Class Factors — Class Factors for Multiclass GNMA Securities* above.



Subject to special allocation procedures that may apply to a Retail Class, the Holders of Certificates of any Class entitled to receive principal payments on any Payment Date receive those payments on a pro rata basis. *Appendix IV* describes how we typically make principal payments on Retail Classes.

For convenience in describing payments on it, each Component Class is deemed to consist of two or more “**Components.**” These Components, together, constitute a single Class and are not separately issued or transferable. However, discussions in this Offering Circular and in Supplements regarding the payment characteristics of the various categories of Classes also apply to Components within the same categories.

### **Payments of Interest**

Interest will accrue on each Certificate during each Accrual Period at the applicable Class Coupon, if any, described in the related Supplement. We compute interest on the basis of a 360-day year of twelve 30-day months. Interest accrued on an Accrual or Partial Accrual Class is payable to the extent provided in the related Supplement, and the amount of any interest accrued and not paid as interest is added to the principal amount of that Class. Any accrued interest so added will also accrue interest. No interest at all will be paid on any Class (including any Retail Class Unit) after its balance has been reduced to zero.

Each Residual Class receives interest on each Payment Date either (a) at its Class Coupon, if any, or (b) in an amount equal to the interest payments received on the Assets in the related REMIC Pool on that Payment Date in excess of the total amount of interest payable on (or added to) the related Regular Classes on that Payment Date. In most cases, any such excess is insignificant.

Unless otherwise described in the related Supplement, the “**Accrual Period**” relating to any Payment Date is:

- For a Fixed Rate, Ascending Rate, Descending Rate or Delay Class backed by 55-Day Securities, 45-Day Securities or GNMA Certificates, the calendar month preceding the Payment Date.
- For a Floating Rate or Inverse Floating Rate Class (other than a Delay Class) backed by 55-Day Securities, the period from the 25th day of the month preceding the Payment Date through and including the 24th day of the month of the Payment Date.
- For a Fixed Rate, Ascending Rate, Descending Rate or Delay Class backed by 75-Day Securities, either the period:
  - From the 15th day of the second month preceding the Payment Date through and including the 14th day of the month preceding the Payment Date; or
  - The second calendar month preceding the Payment Date.
- For a Floating Rate or Inverse Floating Rate Class (other than a Delay Class) backed by 45-Day Securities, the period from the 15th day of the month preceding the Payment Date through and including the 14th day of the month of the Payment Date.

- For a Floating Rate or Inverse Floating Rate Class (other than a Delay Class) backed by GNMA Certificates, either the period:
  - From the 17th day of the month preceding the Payment Date through and including the 16th day of the month of the Payment Date (for Classes backed entirely by GNMA I Certificates); or
  - From the 20th day of the month preceding the Payment Date through and including the 19th day of the month of the Payment Date (for Classes backed in whole or in part by GNMA II Certificates).

### **Interest Rate Indices**

Each Floating Rate or Inverse Floating Rate Class bears interest during each Accrual Period by reference to one of the following indices (each, an “**Index**”), as described in the related Supplement:

- “**LIBOR**,” the arithmetic mean of the London interbank offered rates for Eurodollar deposits with a maturity of one month, three months, one year or some other maturity, as described in the related Supplement.
- “**COFI**,” the Cost of Funds Index, which reflects the weighted average cost of funds for savings institutions in Arizona, California and Nevada that are members of the Eleventh Federal Home Loan Bank District.
- A “**Treasury Index**,” the auction average (investment) yield on three-month or six-month Treasury bills or the weekly average yield on Treasury securities adjusted to a constant maturity of one, three, five, seven, ten or thirty years or to some other constant maturity, as specified in the related Supplement.
- The “**Prime Rate**,” the prime or base lending rate of major banks as published in *The Wall Street Journal*.
- “**SOFR**,” a broad measure of the cost of borrowing cash overnight collateralized by Treasury securities, as described in the related Supplement.

Classes bearing interest based on these Indices are called “**LIBOR Classes**,” “**COFI Classes**,” “**Treasury Index Classes**,” “**Prime Rate Classes**” and “**SOFR Classes**,” as applicable.

*Appendix V* describes how we determine these Indices for each Accrual Period. Absent clear error, our determination of the applicable Index levels and our calculation of the Class Coupons for Floating Rate and Inverse Floating Rate Classes for each Accrual Period will be final and binding. You can get the Class Coupons for the current and all preceding Accrual Periods from our internet website or from our Investor Inquiry Department.

### **Residual Classes**

Holders of each Residual Class are entitled to receive:

- On each Payment Date, any payments of principal and interest described in the related Supplement.
- Upon surrender of their Certificates to the Registrar, the proceeds of any remaining Assets of the related REMIC Pool after we have made all required principal and interest payments on all Classes issued from that REMIC Pool.

Residual Classes are subject to transfer restrictions, including restrictions on ownership by foreign persons. See *Certain Federal Income Tax Consequences — Transfers of Interests in a Residual Class*.

We will provide Holders of Residual Classes information to enable them to prepare reports required under the Code or applicable Treasury regulations. Because we do not intend to hold any Residual Class, applicable law may not allow us to perform tax administrative functions for the REMIC Pools. Therefore, if you own a Residual Class, you may have certain tax administrative obligations, for which we will act as your attorney-in-fact and agent. See *Certain Federal Income Tax Consequences*.

### **Record Dates**

As Administrator, we make payments on each Payment Date to Holders as of the related Record Date. The “**Record Date**” for any Payment Date is the close of business on:

- The last day of the preceding month, for a Class backed by 55-Day Securities, 45-Day Securities or GNMA Certificates.
- Either the 14th of the preceding month or the last day of the second preceding month, for a Class backed by 75-Day Securities.

### **Final Payment Dates**

#### *General*

The “**Final Payment Date**” for each Class is the latest date by which it will be paid in full and will retire. Except in the case of a Guaranteed Maturity Class, we calculate Final Payment Dates using highly conservative assumptions. The actual retirement of any Class could occur significantly earlier than its Final Payment Date.

#### *Guaranteed Maturity Classes*

Each Guaranteed Maturity Class represents an interest in a separate REMIC Pool (each, a “**Guaranteed Maturity REMIC Pool**”) that directly or indirectly holds one or more REMIC Classes (each, a “**Guaranteed Maturity Underlying REMIC Class**”) of the related Series.

On each Payment Date while Guaranteed Maturity Classes entitled to principal are outstanding, their Holders will receive the principal payments made on the same Payment Date on the related Guaranteed Maturity Underlying REMIC Class. Each Guaranteed Maturity Class will bear interest on each Payment Date at its Class Coupon.

The amount we pay to each Guaranteed Maturity Class on its Final Payment Date will equal:

- The outstanding principal amount, if any, of that Class, based on its Class Factor published:
  - For a Guaranteed Maturity Class backed by 55-Day Securities, 45-Day Securities or GNMA Certificates, in the month prior to its Final Payment Date (the Class Factor published in the month of its Final Payment Date will be zero).
  - For a Guaranteed Maturity Class backed by 75-Day Securities, in the second month prior to its Final Payment Date (the Class Factor published in the month prior to its Final Payment Date will be zero).

*plus*

- 30 days' interest on its outstanding principal or notional principal amount, accrued during the Accrual Period for its Final Payment Date.

Unless the related Guaranteed Maturity Underlying REMIC Class retires before the Final Payment Date for a Guaranteed Maturity Class, as Administrator, we will make the final payment on that Guaranteed Maturity Class from (a) the principal and interest payments received on the related Guaranteed Maturity Underlying REMIC Class on the applicable Final Payment Date plus (b) the net proceeds from a sale of that Guaranteed Maturity Underlying REMIC Class. If necessary, as Guarantor, we will pay any additional amount pursuant to our guarantee. If the amount described in (a) and (b) above exceeds the amount required for payment on the applicable Guaranteed Maturity Class or Classes, as Administrator, we will pay that excess to the Residual Class of the related Guaranteed Maturity REMIC Pool.

As Administrator, we will sell the Guaranteed Maturity Underlying REMIC Class as follows:

- On a date after the date the Class Factor for the Guaranteed Maturity Underlying REMIC Class is available and on or before the business day prior to the applicable Final Payment Date, we will liquidate the related Guaranteed Maturity Underlying REMIC Class in a commercially reasonable manner.
- We will apply the net proceeds of the liquidation, as necessary, to redeem the related Guaranteed Maturity Class(es) on the applicable Final Payment Date.

### **Guarantees**

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

- The timely payment of interest at its Class Coupon.
- The payment of its principal amount as described in the related Supplement, including payment in full by its Final Payment Date.
- In the case of a Holder of a Call Class, all proceeds due to the Holder upon exercise of its call right.

Assets issued by Freddie Mac, Fannie Mae or GNMA are guaranteed by the applicable issuer as described in the applicable offering materials.

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

### **Redemption of Callable Class Held by REMIC Pool**

If the Assets of a REMIC Pool include a Callable Class of CPCs, as Administrator, we will adopt a liquidation plan for that REMIC Pool if the Callable Class is redeemed. This plan will meet the requirements of Section 860F(a)(4) of the Code, and will govern the liquidation of the REMIC Pool as a result of the redemption of the Callable Class.

**FORM, HOLDERS AND PAYMENT PROCEDURES**

**Form and Denominations**

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

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

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

*Certificated Classes.* Certificated Classes, including Residual and Call Classes, are transferable only at the office of the Registrar. A Holder may have to pay a service charge to the Registrar for any registration of transfer of a certificated Class, and will have to pay any transfer taxes or other governmental charges.

*CUSIP Number.* Each Class of Certificates has a unique nine-character designation, known as a “**CUSIP Number,**” used to identify that Class.

*Denominations.* All Classes other than Retail, Call and Residual Classes are issued, held and transferred in minimum original principal or notional principal amounts shown in the following table and additional increments of \$1. If a Class is of more than one type, its minimum is the greater of the applicable minimum amounts shown.

<u>Type of Class</u>	<u>Minimum Original Principal or Notional Principal Amount</u>
Jump or Notional (Jump) .....	\$1,000,000
Ascending Rate	} .....
Descending Rate	
Interest Only	
Interest Rate Cap	
Principal Only	
Inverse Floating Rate	
Non-Sticky Jump	
Shifting Payment Percentage	
Sticky Jump	
Structured Formula	
Toggle	100,000
Other .....	1,000

A Holder of a Certificate on the Fed System also has to comply with any Federal Reserve Bank minimum wire transfer requirements. DTC holds each Retail Class in \$1,000 Retail Class Units.

Each Call Class is issued and held in certificated form as a single certificate and is transferable at the office of the Registrar.

A Residual Class without an original principal amount or notional principal amount is issued in minimum percentage interests of 1%. Other Residual Classes are issued in minimum original principal or notional principal amounts of \$1,000 and additional increments of \$1.

### **Holders**

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

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

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

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

### **Payment Procedures**

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

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

Each Holder of a certificated Class may choose to have the Registrar make payments either by check mailed to the address of the Holder shown on the Registrar's records or by electronic transfer of funds to a bank account designated by the Holder. However, a Holder will receive the final payment on a certificated Class only upon presentation and surrender of the Holder's Certificate to the Registrar.

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

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



## MACR CERTIFICATES

In each Series that includes MACR Certificates, we will issue the REMIC Classes shown on the front cover of the related Supplement on the Closing Date. Some of those Classes may be exchanged, in whole or in part, for MACR Classes at any time on or after the Closing Date. The related Supplement will describe the characteristics of the MACR Classes and the available “**Combinations**” of REMIC Certificates and MACR Certificates. MACR Classes are issued from MACR Pools, which are included within the related trust funds but not within any REMIC Pool.

The specific Classes of REMIC Certificates and MACR Certificates that are outstanding at any given time, and the outstanding principal or notional principal amounts of those Classes, will depend on payments on those Classes and any exchanges that have occurred. Exchanges of REMIC Certificates for MACR Certificates, and vice versa, may occur repeatedly. The total outstanding principal amount of all the REMIC Classes and MACR Classes that are backed by the same Assets, not including any notional principal amount, will always equal the total remaining principal amount of the underlying Assets.

MACR Certificates receive interest payments from their related REMIC Certificates at their applicable Class Coupons. On each Payment Date when MACR Certificates entitled to principal are outstanding, we allocate principal payments from the applicable REMIC Certificates to the related MACR Certificates that are entitled to principal. If there are two or more outstanding MACR Classes of the same Combination entitled to principal, they receive principal payments pro rata. If the applicable REMIC Certificates include an Accrual or Partial Accrual Class and a related Accretion Directed Class, we allocate the net reduction in their aggregate principal amount to the related MACR Certificates.

*Appendix III* describes MACR Certificates and exchange procedures and fees.

## PREPAYMENT, YIELD AND SUITABILITY CONSIDERATIONS

### PREPAYMENTS

#### General

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

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

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

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

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

Transfers of mortgaged properties also influence prepayment rates. Fixed-rate Mortgages generally include "due-on-transfer" clauses which provide that the holder of the Mortgage may demand full payment of the Mortgage upon the transfer of the mortgaged property. Freddie Mac and Fannie Mae, in most cases, require mortgage servicers to enforce these clauses where permitted by applicable law. The Incorporated Documents and the Fannie Mae Offering Materials discuss this further. ARMs and Mortgages underlying GNMA Certificates generally do not include due-on-transfer clauses.

The pooling criteria for the securities underlying the Certificates also may affect prepayment rates, as discussed in the Incorporated Documents and the Fannie Mae Offering Materials. Freddie Mac uses mortgage information available to us to determine which Mortgages we will purchase, the prices we will pay for Mortgages, how to pool the Mortgages we purchase and which Mortgages we will retain in our own portfolio. The information we use varies over time, and may include, among other things, LTV ratios, loan sizes and ages, geographic distribution, weighted average interest rates, purposes or sources of origination, borrower median income and credit scoring. We have discretion to determine whether the Mortgages we purchase will be securitized or held in our portfolio. See the applicable Fannie Mae Offering Materials for a discussion of the pooling criteria for securities issued by Fannie Mae.

The rate of principal payments on the securities underlying the Certificates may fluctuate significantly from month to month as a result of fluctuations in the principal payment rates of their underlying Mortgages. The securities underlying the Certificates may experience payment behavior that is similar to or different from that experienced by other securities backed by similar Mortgages. In addition, the securities underlying the Certificates could experience payment behavior that is significantly different from other securities, particularly if such securities are backed by a relatively small number of Mortgages or Mortgages from only one originator, or if the pools of such securities have been formed specifically to emphasize one or more specific loan characteristics, such as borrower income, credit score or loan size. We can make no representation concerning the particular effect that any factor may have on Mortgage prepayment behavior, or the prepayment rates for any type of Mortgage as compared to other kinds of Mortgages.

## **Principal Payment Stability of Classes**

The Mortgages and the Certificates are subject to principal prepayment uncertainty. As we describe in Supplements, some Classes of Certificates, such as PAC Classes and other Classes that are designed to receive principal payments in accordance with schedules, are expected to have a lower level of prepayment uncertainty than their underlying Mortgages. These Classes have a degree of “stability.” Stability in one Class or group of Classes is always offset by instability in other Classes, such as Support Classes. These types of Classes “support” the more stable Classes.

## **YIELDS**

### **General**

In general, your yield on any Class of Certificates will depend on several variables, including:

- The price you paid for that Class.
- The rate of principal payments on the underlying Mortgages and Assets.
- The actual characteristics of the underlying Mortgages.
- In the case of a Floating Rate or Inverse Floating Rate Class, the levels of the applicable Index.
- The payment priorities of your Class and the related Classes in the same Series.
- The Payment Delay of your Class.
- In the case of a Class backed by previously issued Certificates, the payment priorities of the Classes in the underlying Series.
- In the case of a Callable Class, whether a redemption of the underlying Assets occurs.

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

- If you purchase a Class at a discount to its principal amount and the rate of principal payments on the underlying Assets is slower than you expect, you will receive payments over a longer period than you expect, so the yield on your investment will be lower than you expect. This is especially true for a Principal Only Class.
- If you purchase a Class at a premium over its principal amount and the rate of principal payments on the underlying Assets is faster than you expect, you will receive payments over a shorter period than you expect, so the yield on your investment will be lower than you expect.
- If you purchase an Interest Only Class or any other Class at a significant premium over its principal amount and there are fast principal payments on the underlying Assets, you may not even recover your investment in that Class.
- If you purchase a Class that is backed by previously issued Certificates, your yield will be affected by the manner in which we allocate payments both in your own Series and in the underlying Series.
- In general, the rate of Mortgage principal payments early in your investment has the greatest effect on your yield to maturity. As a result, a negative effect on your yield produced by principal payments at a higher (or lower) rate than you expect in the period immediately following your purchase of a Certificate is not likely to be offset by an equivalent reduction (or increase) in that rate in later periods.

- Mortgages tend to prepay fastest when prevailing interest rates are low. When this happens, you may not be able to reinvest your principal payments in comparable securities at as high a yield.

### **Floating Rate and Inverse Floating Rate Classes**

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

- If you own a Floating Rate Class, Index levels lower than you expect could result in yields lower than you expected, especially if the Class Coupon varies based on a multiple of the Index. Also, the Class Coupon of your Class can never be higher than its stated maximum rate, regardless of the level of the Index. If you own an Interest Only Floating Rate Class, you may not even recover your investment if the level of the applicable Index is low or Mortgage prepayments are fast.
- If you own an Inverse Floating Rate Class, Index levels higher than you expect could result in yields lower than you expected, especially if the Class Coupon varies based on a multiple of the Index. The Class Coupons of most Inverse Floating Rate Classes can fall as low as 0%. If you own an Interest Only Inverse Floating Rate Class, you may not even recover your investment if the level of the applicable Index is high or Mortgage prepayment rates are fast.
- When mortgage interest rates are generally low, which usually results in faster prepayments, the applicable Index value may be high. On the other hand, when mortgage interest rates are generally high, which usually results in slower prepayments, the applicable Index value could be low. Either of these scenarios could result in a lower than expected yield on your Certificates.
- No Index will remain constant at any value. Even if the average value of an Index is consistent with what you expect, the timing of any changes in that value may affect your actual yield. In general, the earlier a change in the value of the applicable Index, the greater the effect on your yield. As a result, a negative effect on your yield produced by an Index value that is higher (or lower) than you expect early in your investment is not likely to be offset by an equivalent reduction (or increase) in that value in later periods.

If you invest in a Floating Rate Class that is backed by ARMs, you should also consider the following:

- If the Index levels used to adjust the interest rates of the ARMs are lower than you expect, the yield on your investment could be lower than you expect.
- The interest rates on ARMs usually are subject to limits on the amount they can adjust on each adjustment date. The total amount that an ARM can adjust may also be limited by lifetime ceilings and, in some cases, lifetime floors.
- Interest rates for securities backed by ARMs generally adjust monthly, based on a weighted average of the interest rates on the underlying ARMs. The interest rates on the underlying ARMs may adjust monthly, semi-annually, annually or at other intervals. Moreover, there is a gap of several months from the publication of an applicable Index value until the interest rate of a security backed by ARMs reflects that value. As a result,

the interest rates of the ARM PCs and ARM Giant PCs in a REMIC Pool may not fully reflect current interest rates.

- Disproportionate principal payments, including prepayments, on ARMs that have relatively low or relatively high interest rates compared to the other ARMs in the same pool will affect the level of the interest rates on the related securities backed by ARMs, even if the interest rates on those ARMs remain unchanged.

### **Callable Classes**

If you invest in a Callable Class of Certificates, you should consider the following additional risks:

- A redemption of the underlying Assets will be similar in its principal payment effect to a full prepayment of all the related Mortgages.
- After your Callable Class becomes redeemable, its value is not likely to exceed, and may be lower than, its redemption price.
- A redemption is most likely to occur when prevailing interest rates are low. In this scenario, you may not be able to reinvest the redemption price in comparable securities at as high a yield.
- A redemption will occur only at the direction of the investor in the related Call Class. The Call Class investor may have economic incentives particular to that investor either to exercise or to refrain from exercising the call right. For example, the Call Class investor may own a related Interest Only (or Principal Only) Class of REMIC Certificates, in which case the investor may be less likely (or more likely) to exercise the call right. The Call Class investor also could sell or lend the call right to an investor with similar incentives.

### **Payment Delay**

Depending on its Payment Delay, the effective yield on any Certificate may be less than the yield that its Class Coupon and purchase price would otherwise produce. For example:

- With respect to Certificates backed by 55-Day Securities, on its first Payment Date, 30 days' interest will be payable on (or, in the case of an Accrual or Partial Accrual Class, added to the principal amount of) the Certificate even though interest began to accrue 55 or more days earlier, depending on its Payment Delay.
- With respect to Certificates backed by 55-Day Securities, on each Payment Date after the first, interest on the Certificate will accrue during its Accrual Period, which will end 25 or more days before that Payment Date, depending on its Payment Delay.
- With respect to Certificates backed by 45-Day Securities, on its first Payment Date, 30 days' interest will be payable on (or, in the case of an Accrual or Partial Accrual Class, added to the principal amount of) the Certificate even though interest began to accrue 45 or more days earlier, depending on its Payment Delay.
- With respect to Certificates backed by 45-Day Securities, on each Payment Date after the first, interest on the Certificate will accrue during its Accrual Period, which will end 15 or more days before that Payment Date, depending on its Payment Delay.

- With respect to Certificates backed by 75-Day Securities, on its first Payment Date, 30 days' interest will be payable on (or, in the case of an Accrual or Partial Accrual Class, added to the principal amount of) the Certificate even though interest began to accrue 75 or more days earlier, depending on its Payment Delay.
- With respect to Certificates backed by 75-Day Securities, on each Payment Date after the first, interest on the Certificate will accrue during its Accrual Period, which will end 45 or more days before that Payment Date, depending on its Payment Delay.

## **SUITABILITY**

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

- The Certificates are not appropriate investments if you require a single lump sum payment on a date certain, or if you require an otherwise definite payment stream.
- A market may not develop for the sale of some Certificates after their initial issuance. Even if a market develops, it may not continue. As a result, you may not be able to sell your Certificates easily or at prices that will allow you to realize your desired yield.
- The market values of your Certificates are likely to fluctuate, primarily in response to changes in prevailing interest rates. Such fluctuations may result in significant losses to you.
- The secondary markets for mortgage-related securities have experienced periods of illiquidity in the past, and can be expected to do so in the future. Illiquidity can have a severely negative effect on the prices of Certificates, especially those that are particularly sensitive to prepayment, redemption or interest rate risk or that have been structured to meet the investment needs of limited categories of investors. In addition, illiquidity could result from our financial condition, our conservatorship, uncertainty concerning our future structure, organization, or level of government support and market perceptions or speculation.
- You may not be able to sell very small or very large amounts of Certificates at prices available to other investors.
- The Certificates are complex securities. Before investing in a Certificate, you should be able, either alone or with a financial advisor, to evaluate the information contained and incorporated in this Offering Circular and in the related Supplement. You should evaluate the information in the context of your personal financial situation and your views on possible and likely interest rate and economic scenarios.

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



## TABULAR INFORMATION IN SUPPLEMENTS

In order to illustrate the effect of prepayments or Index levels on Classes of Certificates, the related Supplements may include tables that show the following information, in each case under various prepayment or Index scenarios:

- Weighted average lives.
- Pre-tax yields to maturity.
- Declining principal or notional principal balances.
- Amounts payable as principal annually.

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

### Yield Calculations

We calculate pre-tax yields by:

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

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

### Weighted Average Lives

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

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

We calculate weighted average lives for a Notional Class assuming that a reduction in its notional principal balance is a reduction in principal balance.

## Prepayment Models

Prepayments on pools of mortgages can be measured based on a variety of prepayment models. The models typically used in Supplements will be The Securities Industry and Financial Markets Association's standard prepayment (or "**PSA**") model and the constant (or conditional) prepayment rate (or "**CPR**") model.

The PSA model assumes that:

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

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

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

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

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

## THE TRUST AGREEMENT

Under the Multiclass Certificates Master Trust Agreement dated the same date as this Offering Circular, as Depositor, we transfer and deposit Assets that we have acquired into various trust funds. As Administrator, on behalf of the Trustee, we create and issue Certificates under the Multiclass Certificates Master Trust Agreement and the related "**Terms Supplement**" for each offering of Certificates. For any particular offering, the Multiclass Certificates Master Trust Agreement and the applicable Terms Supplement together constitute the "**Trust Agreement.**"

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

## **TRANSFER OF ASSETS TO REMIC POOL**

The Assets deposited in each REMIC Pool will be identified to that Pool and its related trust fund in our corporate records. As Trustee, we will hold legal title to the Assets, directly or through our agent, for the benefit of the related REMIC Pool and the Holders of the related Series as required by the Trust Agreement.

A REMIC Pool that includes GNMA Certificates may also include the rights of that REMIC Pool under a Guaranteed Investment and Fee Contract (a “**GIFC**”). A GIFC allows us to invest amounts received on the GNMA Certificates from the date received to the next Payment Date for the related Certificates. It also provides for the payment of a fee to us.

Under certain circumstances, as Administrator, we may substitute eligible Assets for those originally included in a REMIC Pool. We will make any substitution in accordance with applicable laws and regulations in effect at the time of substitution and only if tax counsel advises us that the REMIC Pool will continue to be classified as a REMIC for federal income tax purposes. The initial rate of principal payments on the related Certificates may be faster or slower than if the applicable REMIC Pool had originally included the substitute Assets.

## **VARIOUS MATTERS REGARDING FREDDIE MAC**

### **Freddie Mac in its Corporate Capacity**

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

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

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

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

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

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

### **Custodial Account**

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

As Administrator, we hold funds that are received from the Assets and used to pay Holders in an account or accounts separate from our own corporate funds. Such separate account(s), collectively, are

called the custodial account and funds held in the custodial account are held in trust for the benefit of Holders of Certificates. The custodial account is the account from which Holders are paid. Amounts on deposit in the custodial account may be commingled with funds for all REMIC Pools and for other Freddie Mac mortgage securities (and temporarily with other collections on Mortgages) and are not separated on a REMIC Pool by REMIC Pool basis. As Administrator, we are entitled to investment earnings on funds on deposit in the custodial account and we are responsible for any losses. Holders are not entitled to any investment earnings from the custodial account. We may invest funds in the custodial account in eligible investments set forth in the Trust Agreement prior to distribution to Holders.

### **Certain Matters Regarding Our Duties as Trustee**

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

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

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

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

### **Potential Conflicts of Interest**

In connection with the Certificates that we issue, we are acting in multiple roles — Trustee, Depositor, Administrator and Guarantor. Further, we act in these same roles with respect to any securities that we issue underlying the Certificates. The trust agreements for any underlying securities we issue provide that in determining whether a Mortgage shall be repurchased from the related pool, we may in our capacities as Administrator and Guarantor of our securities consider factors as we deem appropriate, including the reduction of administrative costs (in the case of the Administrator) and possible exposure under our guarantee (in the case of the Guarantor). There is no independent third party engaged with respect to the securities that we issue underlying the Certificates or the Certificates to monitor and supervise our activities in our various roles. In connection with our roles as Administrator and Guarantor of the securities that we issue underlying the Certificates, we may take

certain actions with respect to Mortgages that may adversely affect Certificate Holders. For example, we may repurchase, or direct sellers or servicers to repurchase, Mortgages from securities that we issue underlying the Certificates in certain situations. A Mortgage repurchase will be treated as a prepayment in full of the Mortgage being repurchased and will increase the prepayment speeds of Certificates. See *Risk Factors — Prepayment and Yield Factors — Substantial repurchases of seriously delinquent Mortgages could materially affect the prepayment rates of the Assets backing your Certificates* and *— Increased Mortgage refinance, modification and other loss mitigation programs could materially affect Mortgage prepayment speeds.*

See the applicable Fannie Mae Offering Materials for information about potential conflicts of interest with respect to Fannie Mae's securities.

## **EVENTS OF DEFAULT**

**“Events of Default”** under the Trust Agreement are:

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

## **RIGHTS UPON EVENT OF DEFAULT**

If an Event of Default under a Trust Agreement is not remedied, the Holders of at least 50% of the outstanding principal or notional principal amount of any affected Class of Certificates may remove Freddie Mac as Administrator and nominate a successor as to the related trust fund. That nominee will replace Freddie Mac as Administrator, unless Freddie Mac objects within ten days after the nomination. In that event, either Freddie Mac or anyone who has been a bona fide Holder of an affected Class for at least six months may ask a court to appoint a successor. The court may then appoint a successor Administrator. Any such removal will not affect Freddie Mac's guarantee obligations.

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

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

The rights provided to Holders of Certificates under the Trust Agreement as described above may not be enforced against FHFA, or enforcement of such rights may be delayed, if we are placed into receivership. The Trust Agreement provides that upon the occurrence of an Event of Default, which includes the appointment of a receiver, Holders have the right to replace Freddie Mac as Trustee and

Administrator if the requisite percentage of Holders of an affected Class of Certificates consent. The Reform Act prevents Holders from enforcing their rights to replace Freddie Mac as Trustee and Administrator if the Event of Default arises solely because a receiver has been appointed. The Reform Act also provides that no person may exercise any right or power to terminate, accelerate or declare an event of default under certain contracts to which Freddie Mac is a party, or obtain possession of or exercise control over any property of Freddie Mac, or affect any contractual rights of Freddie Mac, without the approval of FHFA, as receiver, for a period of 90 days following the appointment of FHFA as receiver.

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

## **VOTING RIGHTS**

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

## **VOTING UNDER ANY UNDERLYING AGREEMENT**

Holders of the securities underlying the Certificates have various rights under the agreements governing their securities. If a default occurs under one of these underlying agreements, holders of a specified percentage of the securities underlying the Certificates may seek to remove Freddie Mac under that agreement. As Trustee, we will hold the securities underlying the Certificates that back Certificates. However, the Trust Agreement generally allows the Holders of the Certificates, rather than Freddie Mac, to act if a default occurs under the related underlying agreement. For this purpose, the Holders of Certificates will be treated as the holders of the affected securities underlying the Certificates in proportion to the outstanding principal amounts of their Certificates.

The rights provided to holders of securities underlying the Certificates under the agreements governing those securities and the rights of Holders of the Certificates under the underlying agreements are also subject to the limitations of the Reform Act, as described under *Rights Upon Event of Default* above.

Holders of securities underlying the Certificates also have the right to consent to certain amendments to their governing agreements. The Trust Agreement provides that, as the holder of a security underlying the Certificates that backs Certificates, Freddie Mac, as Trustee, may consent to



such an amendment. However, if the amendment would adversely affect in any material way the interests of the Holders of Certificates, Freddie Mac may not agree to it unless Holders of at least 50% of the outstanding principal or notional principal amount of each affected Class consent in writing. Despite this rule, Freddie Mac may amend an agreement governing Mortgage Participation Certificates, without the consent of Holders, if the amendment changes Freddie Mac's procedures for calculating payments or passing through prepayments on Mortgage Participation Certificates that back REMIC Pools formed after September 1, 1995. See the PC Offering Circular for information about payments on Mortgage Participation Certificates.

The Trust Agreement provides Holders of Commingled Certificates with similar rights with respect to the master trust agreements for the underlying Fannie Mae-issued securities. Thus, the Trust Agreement generally allows the Holders of Commingled Certificates, rather than Freddie Mac, to act if an event of default occurs under the master trust agreement related to an underlying Fannie Mae-issued security. Likewise, if a proposed amendment to a master trust agreement for an underlying Fannie Mae-issued security would adversely and materially affect the interest of any Holder of a Commingled Certificate, the Trust Agreement provides that Freddie Mac may not agree to such an amendment unless Holders of at least 50% of the outstanding principal or notional principal amount of each affected Class consent in writing.

## **AMENDMENT**

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

- Cure any ambiguity or to correct or add to any provision in the Trust Agreement, if the amendment does not adversely affect Holders in any material way.
- Maintain the qualification of any REMIC Pool as a REMIC under the Code.
- Maintain the qualification of any MACR Pool as a grantor trust under the Code.
- Avoid the imposition of any state or federal tax on a REMIC Pool or MACR Pool.

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

To the extent that any provisions of the Trust Agreement differ from the provisions of any of our previous agreements governing Certificates, the Trust Agreement will be deemed to amend those prior agreements if such change would not require the consent of Holders under the terms of those prior agreements.

## **GOVERNING LAW**

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

## CERTAIN FEDERAL INCOME TAX CONSEQUENCES

### GENERAL

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

### REMIC ELECTION

We will elect to treat each REMIC Pool as a REMIC under the Code. Assuming (1) such election, (2) compliance with the Trust Agreement and (3) compliance with changes in the law, each REMIC Pool will qualify as a REMIC. In that case, the REMIC Pool generally will not be subject to tax, the related Regular Classes will be “regular interests” in a REMIC and the related Residual Class will be the “residual interest” in a REMIC.

For federal income tax purposes, certain Certificates may represent beneficial ownership of a REMIC Regular Class as well as rights under a notional principal contract (an “NPC”). The rights under an NPC will not be assets held by, or an obligation of, any REMIC Pool. The arrangement under which such Certificates are issued will be characterized as a grantor trust under subpart E, part I of subchapter J of the Code, and not as an association taxable as a corporation. The applicable Supplement will identify those Certificates that represent a REMIC Regular Class and an NPC. See — *Status of REMIC Certificates* and — *Taxation of NPCs* below.

### STATUS OF REMIC CERTIFICATES

REMIC Certificates will constitute assets described in Code Sections 7701(a)(19)(C) and 856(c)(4)(A). Interest on the REMIC Certificates will be “interest on obligations secured by mortgages on real property or on interests in real property” within the meaning of Code Section 856(c)(3)(B) in its entirety if at all times 95% or more of the assets of the related REMIC Pool are treated as “real estate assets” within the meaning of Code Section 856(c)(5)(B). In determining the tax status of an Upper-Tier REMIC Pool, however, we will apply the 95% test assuming the Lower-Tier Classes have the same characteristics as the related Lower-Tier REMIC Pool. We anticipate that the REMIC Certificates will qualify for the foregoing treatments unless a REMIC Pool is backed by “high-LTV Mortgages” (*i.e.*, Mortgages with an LTV ratio at origination higher than 105% but not in excess of 125%). Where a REMIC Pool is backed by high-LTV Mortgages, a pro rata portion of the interest income on the related REMIC Certificates may not be treated as “interest on obligations secured by mortgages on real property or on interests in real property” within the meaning of Code Section 856(c)(3)(B) if less than 95% of the underlying assets are treated as “real estate assets.” In this circumstance, we will report certain information, pursuant to regulations under Code Section 6049, on such REMIC Certificates. The applicable Supplement will identify those REMIC Regular Classes that are backed by high-LTV Mortgages. Regular Classes will be “qualified mortgages” under Code Section 860G(a)(3) for another REMIC.

In addition, an NPC will not constitute an asset described as “real estate assets” under Section 856(c)(4)(A) of the Code or Section 7701(a)(19)(C) of the Code. Similarly, payments received on an NPC will not constitute “interest on obligations secured by mortgages on real property or on interests in real property” within the meaning of Section 856(c)(3)(B) of the Code. Finally, an NPC will not be a “qualified mortgage” under Section 860G(a)(3) of the Code or any other type of permitted investment for another REMIC. The applicable Supplement will identify those Certificates that represent a REMIC Regular Class and an NPC.

## **TAXATION OF REGULAR CLASSES**

### **General**

The Regular Classes will be taxed as newly originated debt instruments for federal income tax purposes. Interest, original issue discount and market discount accrued on a Regular Class will constitute ordinary income to the beneficial owner (the “**Owner**”). As an investor in a Regular Class, you must account for interest income on the accrual method.

Notwithstanding the following, if you use an accrual method of accounting for federal income tax purposes and prepare an “applicable financial statement” (as defined in Code Section 451), you may be required to include original issue discount and certain other items of income no later than at the time such amounts are reflected on such a financial statement.

### **Original Issue Discount**

The REMIC Pool may issue certain Regular Classes with “original issue discount.” You must include original issue discount in income as it accrues, without regard to the timing of payments. In the absence of guidance which applies specifically to REMIC regular interests, we will report original issue discount, if any, to the Internal Revenue Service (the “**Service**”) and the Holders of the Regular Classes based on regulations under Code Sections 1271 through 1275 (the “**OID Regulations**”).

The total amount of original issue discount on a Regular Class is the excess of its “stated redemption price” over its “issue price.” The issue price is the price at which a substantial portion of the Regular Class is first sold to the public. The issue price generally includes any pre-issuance accrued interest unless you exclude such amount from the issue price and treat a portion of the stated interest payable on the first Payment Date as a return of that accrued interest rather than as an amount payable under the instrument. In general, the stated redemption price is the sum of all payments except for stated interest actually payable at least annually based on a single fixed rate, certain variable rates, or certain combinations of fixed and variable rates. In the case of an Interest Only Class, as described below, or an Accrual Class, however, the stated redemption price will include all payments.

Interest based on certain variable rates or certain combinations of fixed and variable rates which would otherwise be excluded from the stated redemption price will be included in the stated redemption price if the excess, if any, of the issue price of the Regular Class over the principal amount of the Regular Class is more than 0.015 multiplied by the product of the principal amount and the weighted average maturity (as defined below) or, if the weighted average maturity of the Regular Class is more than ten years, 15% of the principal amount.

If the interval between the issue date and the first Payment Date exceeds the interval between subsequent Payment Dates, a portion of the interest payments in all periods is included in the stated redemption price, unless a special rule relating to debt instruments with increasing rates of interest,

described below, applies. The portion included in the stated redemption price is equal to the difference between (1) the stated interest rate for subsequent periods and (2) the effective rate of interest for the long first accrual period.

We intend to report income from Interest Only Classes based on the assumption that the stated redemption price is the sum of all payments determined under the Pricing Speed (as defined below). As a result, such Classes would be issued with original issue discount. The Service might contend, however, that in the case of certain fixed rate Interest Only Classes with a nominal principal amount, the stated redemption price is the principal amount. If such a position prevailed, the rules described below under “Premium” would apply.

Under a *de minimis* rule, original issue discount on a Regular Class will be considered zero and all interest payments will be excluded from the stated redemption price if the amount of the original issue discount is less than 0.25% of the Class’s stated redemption price multiplied by the Class’s weighted average maturity. The weighted average maturity of a Regular Class is computed based on the number of full years (*i.e.*, rounding down partial years) each distribution of principal is scheduled to be outstanding. The schedule of such distributions likely should be determined in accordance with the assumed rate of prepayment of the related Mortgages used in pricing the Regular Classes (the “**Pricing Speed**”), which will be set forth in the related Supplement. For purposes of applying the *de minimis* rule and for all other purposes, we will not adjust the Pricing Speed to take into account the possibility of the early retirement of a Regular Class backed by a callable class of CPCs.

The OID Regulations provide a special application of the *de minimis* rule for certain debt instruments where the interest payable for the first period or periods is at a rate less than that which applies in all other periods. In such cases, the OID Regulations provide that the stated redemption price is equal to the issue price of the Regular Class plus the greater of (1) the interest foregone during the first period or periods and (2) the excess, if any, of the debt instrument’s stated principal amount over its issue price.

The Owner of an interest in a Regular Class generally must include in income the original issue discount accrued for each day on which the Owner holds such interest, including the date of purchase, but excluding the date of disposition. The original issue discount accruing on an interest in a Regular Class in any period equals:

$$\text{PV End} + \text{Dist} - \text{PV Beg}$$

Where:

PV End = present value of all remaining distributions to be made as of the end of the accrual period;

Dist = distributions made during the accrual period includable in stated redemption price; and

PV Beg = present value of all remaining distributions as of the beginning of the accrual period.

The present value of the remaining distributions is calculated based on (1) the original yield to maturity of the Regular Class, (2) events (including actual prepayments) that have occurred prior to the end of the period and (3) the Pricing Speed. For these purposes, the original yield to maturity of an interest in a Regular Class will be calculated based on its issue price and assuming that it will be prepaid in all periods in accordance with the Pricing Speed. The original issue discount accruing during any accrual period will then be divided by the number of days in the period to determine the daily portion of original issue discount for each day.

The daily portions of original issue discount generally will increase if prepayments on the underlying Mortgages exceed the Pricing Speed and decrease if prepayments are slower than the Pricing Speed (changes in the rate of prepayments having the opposite effect in the case of an Interest Only Class). If the relative principal payment priorities of the Classes of a Series change (*e.g.*, for Sticky Jump Classes), any increase or decrease in the present value of the remaining payments to be made on any such Class will affect the computation of original issue discount for the period in which the change in payment priority occurs.

If original issue discount accruing during any accrual period, computed as described above, is negative for any such period, you will be entitled to offset such amount only against future positive original issue discount accruing from your Class, and we intend to report income to the Service in all cases in this manner. The treatment of such negative amounts is not entirely clear, however, particularly in the case of an Interest Only Class. For example, you may be entitled to deduct a loss to the extent that your remaining basis would exceed the maximum amount of future payments to which you are entitled, assuming no further prepayments of the Mortgages (or, perhaps, assuming prepayments at a rate equal to the Pricing Speed). While the issue is not clear, all or a portion of such loss may be treated as a capital loss if you treat the Regular Class as a capital asset. You should consult your tax advisors regarding a Regular Class that has a negative amount of original issue discount during any accrual period.

If you are the initial purchaser of interests in two or more Regular Classes issued from the same REMIC Pool, you should be aware that the OID Regulations may treat such interests as a single debt instrument for purposes of the original issue discount provisions.

If a subsequent Owner of an interest in a Regular Class acquires such interest for a price greater than its “adjusted issue price,” but less than its remaining stated redemption price, the daily portion for any day is reduced by an amount equal to the product of (1) such daily portion and (2) a fraction, the numerator of which is the amount by which the price exceeds the adjusted issue price and the denominator of which is the sum of the daily portions for such Regular Class interest for all days on and after the date of purchase. The adjusted issue price of an interest in a Regular Class on any given day is equal to its issue price, increased by all original issue discount previously includable with respect to that interest and reduced by the amount of all previous distributions with respect to that interest included in its stated redemption price at maturity.

### **Market Discount**

The market discount rules may also apply to you. Market discount equals the excess of (a) either (1) the stated redemption price (less any prior distributions included in the stated redemption price) or (2) in the case of a Regular Class having original issue discount, the adjusted issue price over (b) your initial basis in the Regular Class.

The Conference Committee Report accompanying the Tax Reform Act of 1986 (the “**Committee Report**”) provides that, until the Treasury issues regulations, market discount would accrue (a) on the basis of a constant yield (similar to the method described above for accruing original issue discount) or (b) alternatively, either (1) in the case of a Regular Class issued without original issue discount, in the ratio of stated interest distributable in the relevant period to the total stated interest remaining to be distributed from the beginning of such period (computed taking into account the Pricing Speed) or (2) in the case of a Regular Class issued with original issue discount, in the ratio

of original issue discount accrued for the relevant period to the total remaining original issue discount at the beginning of such period.

You generally must recognize accrued market discount as ordinary income to the extent of any distributions includable in the stated redemption price. Moreover, you generally must treat a portion of any gain on a sale or exchange as ordinary income to the extent of the accrued, but unrecognized, market discount to the date of disposition. Alternatively, you may elect to include market discount in income currently as it accrues on all market discount instruments that you acquire in that taxable year or after. You may revoke such an election only with the consent of the Service.

In addition, the deduction for a portion of interest expense on any indebtedness that you incur or maintain in order to purchase or carry an interest in a Regular Class purchased with market discount may be required to be deferred. The deferred portion would not exceed the portion of market discount that accrues but is not taken into income currently. Any such deferred interest expense is, in general, allowed as a deduction not later than the year in which the related market discount income is recognized.

Market discount with respect to a Regular Class will be considered to be zero if it is *de minimis* under a rule similar to that described above under "Original Issue Discount." You should consult your tax advisors regarding the application of the market discount rules as well as the advisability of making any election with respect to market discount.

### **Premium**

An interest in a Regular Class, other than an Interest Only Class, an Accrual Class and certain other Classes whose stated interest is partially or entirely included in their stated redemption prices, that is purchased at a cost (net of accrued interest) greater than its principal amount generally is considered to be purchased at a premium. You may elect under Code Section 171 to amortize such premium under the constant yield method, using the Pricing Speed. Such premium is an offset to interest income from an interest in a Regular Class, rather than a separate interest deduction. In addition, the Committee Report indicates Congress intended that the methods for determining the accrual of market discount described above which are alternatives to accrual on the basis of a constant yield also will apply for purposes of amortizing bond premium on obligations such as Regular Classes. An election made by you generally would apply to all your debt instruments, unless the election is revoked with the Service's consent. If your election to amortize bond premium was effective as of October 22, 1986, you may choose to have such election apply to obligations issued after September 27, 1985.

### **Constant Yield Election**

The OID Regulations allow you to elect to include in gross income all interest that accrues on a debt instrument by using the constant yield method. For purposes of this election, interest includes stated interest, *de minimis* original issue discount, original issue discount, *de minimis* market discount and market discount, as adjusted by any premium. You should consult your tax advisors regarding the advisability of making this election.

### **Retail Classes**

For purposes of the original issue and market discount rules, a payment in full of an interest in a Retail Class that is subject to payment in Retail Class Units or other increments, rather than on a pro



rata basis with other interests in such Retail Class, will be treated as a distribution with respect to such Class.

### **Floating Rate, Inverse Floating Rate and Weighted Average Coupon Classes**

The OID Regulations and regulations relating to the amortization of premium generally require that the original issue discount and premium rules be applied to certain Floating Rate or Inverse Floating Rate Classes (*i.e.*, Classes the rate on which would qualify as a qualified floating rate or a qualified inverse floating rate under the OID Regulations) by assuming that the variable rate is a fixed rate equal to the value of the variable rate as of the date of the applicable Supplement. We also intend to apply the original issue discount and premium rules to the other Floating Rate and Inverse Floating Rate Classes and to the Weighted Average Coupon Classes by assuming that the variable rate is a fixed rate equal to the value of the variable rate as of the date of the applicable Supplement. Further, we intend to apply the rules of the Code relating to market discount based on these assumptions. As discussed below under *Negative Yield*, however, we may make adjustments to the value of the variable rate in certain circumstances.

### **Negative Yield**

As discussed above under *Original Issue Discount*, we intend to report income with respect to Interest Only Classes assuming those Classes are issued with original issue discount. It is not entirely clear, however, that an Interest Only Class would be issued with original issue discount or how taxable income with respect to such Class should be reported where its yield to maturity, determined based on its Pricing Speed (and, with respect to Floating Rate, Inverse Floating Rate or Weighted Average Coupon Interest Only Classes, the value of the variable rate as of the date of the applicable Supplement) is negative (*i.e.*, the sum of all projected payments on the Class determined based on its Pricing Speed, and if applicable, the value of the variable rate as of the date of the applicable Supplement, is less than your purchase price for the Class).

For purposes of computing the amount of original issue discount that accrues in each accrual period on a fixed-rate Interest Only Class that has a negative yield based on its Pricing Speed, we intend to use a yield to maturity of 0.0%. For purposes of computing the amount of original issue discount that accrues in each accrual period on Floating Rate, Inverse Floating Rate or Weighted Average Coupon Interest Only Classes that have negative yields based on their Pricing Speeds and the values of the variable rates as of the dates of the applicable Supplements, we may make adjustments to the projected values of the variable rates in certain circumstances, and may also use a yield to maturity of 0.0% if necessary. The Supplement will identify any Interest Only Class that may have a negative yield. You should consult your tax advisors regarding a Regular Class that has a negative yield as of the issue date.

### **Callable Classes**

Any amount received in redemption of a Regular Class that is backed by a callable class of CPCs will be treated under the original issue discount and market discount rules as a distribution with respect to that Class.

## TAXATION OF RESIDUAL CLASSES

### Taxation of REMIC Income

REMIC taxable income is determined under the accrual method of accounting in the same manner as the taxable income of an individual, with certain modifications. The REMIC Pool's gross income includes interest, original issue discount income and market discount income, if any, reduced by amortization of any premium, on the assets in the REMIC Pool. In this regard, the REMIC Pool will elect to take all such items into account by accruing interest based on a constant yield. The REMIC Pool's expenses include interest and original issue discount expense on the Regular Classes, reduced by the amortization of any premium, servicing fees on the REMIC Pool's Assets and other administrative expenses. Except as described below under *Treatment of Servicing Compensation*, an Owner of an interest in a Residual Class (a "**Residual Owner**") generally will take into account, as ordinary income or loss, the Residual Owner's allocable share of taxable income or net loss of the REMIC Pool.

If a REMIC Pool includes a callable class of CPCs, the REMIC Pool will be treated as owning the assets underlying such callable class and as having written a call option on such assets. The material federal income tax consequences to the REMIC Pool of acquiring, holding and disposing of such assets are described below under *Taxation of the CPCs*. The Residual Owner will take into account, as ordinary income or loss, any gain or loss from the disposition of such assets and any amortization of option premium with respect to such call option.

If a REMIC Pool includes GNMA Certificates, the REMIC Pool may invest the payments it receives from the GNMA Certificates for a temporary period under a GIFC. Any income derived from such investment, to the extent not applied to interest and principal payments on the related Multiclass GNMA Securities, will be used to pay the fees and expenses of the REMIC Pool and will not be distributable to Residual Owners.

A Residual Owner may not amortize the cost of its Residual Class interest. Taxable income of the REMIC Pool, however, will not include cash received by the REMIC Pool that represents a recovery of the REMIC Pool's basis in its Assets. Such recovery of basis by the REMIC Pool will have the effect of amortization of the issue price of the Residual Class over its life. The period of time over which such issue price is effectively amortized, however, may be longer than the economic life of the Residual Class.

A subsequent Residual Owner must report on its federal income tax returns amounts of taxable income or net loss equal to that which an original Residual Owner must report. Adjustments to reduce (or increase) the income of a subsequent Residual Owner that purchased such an interest at a price greater than (or less than) the adjusted issue price of such interest apparently are not permitted or required.

The taxation of a Residual Owner is based on the income and expense of the REMIC Pool, and not on distributions to the Residual Owner. This method of taxation can produce a significantly less favorable after-tax return for a Residual Owner than would be the case if (1) the Residual Class were taxable as a debt instrument or (2) no portion of the taxable income on the Residual Class in each period were treated as "excess inclusions" (as defined below). In certain periods, taxable income and the resulting tax liability on an interest in a Residual Class may exceed any payments received on that Class. The excess typically will be greater in the case of the Upper-Tier Residual Class in a Double-Tier Series or the Residual Class in a Single-Tier Series. This may occur because the yield of

the Mortgage Securities in a Double-Tier Series, or the Assets in a Single-Tier Series, typically will exceed the average yield of the Regular Classes in earlier periods. In addition, a substantial tax may be imposed on certain transferors of an interest in a Residual Class and certain Residual Owners that are “pass-thru” entities. See *Transfers of Interests in a Residual Class*. You should consult your tax advisors before purchasing an interest in a Residual Class.

### **Losses**

A Residual Owner may recognize a net loss of the REMIC Pool only to the extent of the adjusted basis of its interest in the Residual Class. A Residual Owner that is a U.S. person (as defined below), however, may carry over any such disallowed loss to offset any taxable income generated by the same REMIC Pool.

### **Treatment of Certain Items of REMIC Income and Expense**

*Original Issue Discount.* In the case of a Double-Tier Series, the OID Regulations provide, and we intend to report assuming, that the Mortgage Securities issued in respect of the same Lower-Tier REMIC Pool will be treated as a single debt instrument for purposes of the original issue discount provisions. As previously discussed, the timing of recognition of negative original issue discount, if any, on a Regular Class, particularly an Interest Only Class, is uncertain; as a result, the timing of recognition of the related REMIC taxable income is also uncertain. For example, the related REMIC taxable income may be recognized when the adjusted issue price of such Regular Class would exceed the maximum amount of future payments with respect to such Regular Class, assuming no further prepayments of the Mortgages (or, perhaps, assuming prepayments at a rate equal to the Pricing Speed).

*Market Discount.* In respect of Mortgages that have market discount, such market discount would be recognized in the same fashion as if it were original issue discount.

*Premium.* The election to amortize premium under Code Section 171 will not be available for premium on Mortgages that are obligations of individuals originated on or prior to September 27, 1985. Premium on such Mortgages may be deductible, if in accordance with a reasonable method. The allocation of such premium pro rata among principal payments or on the basis of a constant yield should be considered a reasonable method.

### **Excess Inclusions**

A portion of the REMIC taxable income of each Residual Owner will be subject to federal income tax in all events. That portion, referred to as the “excess inclusion,” is equal to the excess of REMIC taxable income for the calendar quarter over the daily accruals for such period. The daily accruals are equal to the product of (1) 120% of the federal long-term rate (based on quarterly compounding) under Code Section 1274(d) determined for the month in which the Residual Class is issued and (2) the adjusted issue price of such interest at the beginning of such quarter. The federal long-term rate for the month of issuance of a Residual Class is published by the Service on or about the 20th of the preceding month. The adjusted issue price of an interest in a Residual Class at the beginning of a quarter is the issue price of the interest, plus the amount of the daily accruals of REMIC income attributable to such interest for all prior quarters, decreased (but not below zero) by any prior distributions. The Service has authority to promulgate regulations providing that if the aggregate value of the Residual Class is not considered to be “significant,” then a Residual Owner’s entire share of REMIC taxable income will be treated as an excess inclusion. This authority has not been exercised.

“Excess inclusions” may not be offset by unrelated losses or loss carryforwards of a Residual Owner. A Residual Owner’s excess inclusion is treated as unrelated business taxable income for an organization subject to the tax on unrelated business income. In addition, under Treasury regulations yet to be issued, if a real estate investment trust, regulated investment company or certain other pass-through entities are Residual Owners, a portion of distributions made by such entities would constitute excess inclusions. The Service has stated that this rule is applicable even in the absence of regulations. Moreover, for purposes of computing alternative minimum tax for taxpayers other than thrift institutions, taxable income is determined without regard to the rule for excess inclusions, and the alternative minimum taxable income of any such Residual Owner is not less than such Residual Owner’s excess inclusion for the year, effective for all taxable years beginning after December 31, 1986, unless the Residual Owner elects application only to taxable years beginning after August 20, 1996.

### **Prohibited Transactions**

Income from certain transactions, called prohibited transactions, will not be part of the calculation of income or loss includable in the federal income tax returns of Residual Owners, but rather will be taxed directly to the REMIC Pool at a 100% rate. Because of Freddie Mac’s guarantee, in the event such tax is imposed on a REMIC Pool, payments of principal and interest on the REMIC Certificates will not be affected.

### **SALE OR EXCHANGE OF REMIC CERTIFICATES**

You generally will recognize gain or loss upon sale or exchange of a REMIC Certificate equal to the difference between the amount received and your adjusted basis in the REMIC Certificate. The adjusted basis in a REMIC Certificate generally will equal the cost of the REMIC Certificate, increased by income previously included and reduced (but not below zero) by previous distributions and by any amortized premium, in the case of an interest in a Regular Class, or net losses allowed as a deduction, in the case of an interest in a Residual Class.

Except as described below, any gain or loss on the sale or exchange of a REMIC Certificate held as a capital asset will be capital gain or loss and will be long-term or short-term depending on whether the interest has been held for the long-term capital gain holding period (more than one year). Capital gains of individuals with respect to capital assets held for more than one year may be eligible for reduced rates of taxation. The deductibility of capital losses is subject to limitations.

Such gain or loss will be ordinary income or loss (1) for a bank or thrift institution; and (2) in the case of an interest in a Regular Class, (a) to the extent of any accrued, but unrecognized, market discount or (b) to the extent income recognized by you is less than the income that you would have recognized if the yield on such interest were 110% of the applicable federal rate under Code Section 1274(d).

Whether the termination of the REMIC will be treated as a sale or exchange of a Residual Owner’s interest is not clear. If it is, the Residual Owner will recognize a loss at that time equal to the amount of the Residual Owner’s remaining adjusted basis in such interest.

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

mortgage pool” (such as a non-REMIC owner trust) that is economically comparable to a Residual Class.

## **TRANSFERS OF INTERESTS IN A RESIDUAL CLASS**

### **Disqualified Organizations**

A transfer of an interest in a Residual Class to a “disqualified organization” (as defined below) may result in a tax equal to the product of (1) the present value of the total anticipated future excess inclusions with respect to such interest and (2) the highest corporate marginal federal income tax rate. Such a tax generally would be imposed on the transferor of the interest in the Residual Class, except that if the transfer is through an agent for a disqualified organization, the agent is liable. A transferor is not liable for this tax if the transferee furnishes to the transferor an affidavit that the transferee is not a disqualified organization and, as of the time of the transfer, the transferor does not have actual knowledge that such affidavit is false.

A “pass-thru entity” (as defined below) is subject to tax (at the highest corporate marginal federal income tax rate) on excess inclusions to the extent disqualified organizations hold interests in the pass-thru entity. However, this tax will not apply if the pass-thru entity receives an affidavit that the record holder is not a disqualified organization and does not have actual knowledge that the affidavit is false.

For these purposes, (1) “disqualified organization” means the United States, any state or political subdivision thereof, any foreign government, any international organization, any agency or instrumentality of any of the foregoing, certain organizations that are exempt from taxation under the Code (including tax on excess inclusions) and certain corporations operating on a cooperative basis and (2) “pass-thru entity” means any regulated investment company, real estate investment trust, common trust fund, partnership, trust or estate and certain corporations operating on a cooperative basis. Except as may be provided in Treasury regulations, any person holding an interest in a pass-thru entity as a nominee for another will, with respect to such interest, be treated as a pass-thru entity.

The Trust Agreement provides that any attempted transfer of a beneficial or record interest in a Residual Class will be null and void unless (1) the proposed transferee provides to Freddie Mac (a) an affidavit that the transferee is not a disqualified organization and is not purchasing such interest on behalf of a disqualified organization and (b) if requested by Freddie Mac, an opinion of counsel to the effect that the proposed transfer will not cause the Residual Class interest to be held by a disqualified organization; or (2) Freddie Mac consents to the transfer.

### **Additional Transfer Restrictions**

The regulations under Code Sections 860A through 860G (the “**REMIC Regulations**”) provide that a transfer of a noneconomic residual interest is disregarded for all federal income tax purposes if a significant purpose of the transfer is to impede the assessment or collection of tax. Such a purpose exists if, at the time of the transfer, the transferor knew or should have known that the transferee would be unwilling or unable to pay taxes on its share of the taxable income of the REMIC.

Pursuant to a safe harbor, a transferor will be presumed to lack such knowledge (or reason to know) if, after a reasonable investigation, (1) the transferor finds that the transferee historically paid its debts as they came due, and finds no significant evidence that the transferee would not continue to do so, (2) the transferee represents to the transferor that the transferee understands that it might incur tax

liabilities in excess of any cash received with respect to the residual interest and that the transferee intends to pay the taxes associated with owning the residual interest as they come due, (3) the transferee represents that it will not cause income from the noneconomic residual interest to be attributable to a foreign permanent establishment or fixed base (within the meaning of an applicable income tax treaty) of the transferee or another U.S. taxpayer, and (4) the transfer satisfies either an “asset test” or a “formula test,” as set forth in the REMIC Regulations.

Under the REMIC Regulations, a transfer satisfies the asset test if (1) the transferee’s gross assets for financial reporting purposes exceed \$100 million and its net assets for financial reporting purposes exceed \$10 million at the time of the transfer and at the close of each of the transferee’s two fiscal years preceding the year of transfer, (2) the transferee is an eligible corporation (any domestic subchapter C corporation other than a tax-exempt corporation, regulated investment company, real estate investment trust, REMIC or cooperative) other than a foreign permanent establishment of a domestic corporation and agrees in writing that any subsequent transfer of the interest will be to another eligible corporation in a transaction that satisfies the asset test safe harbor, and (3) the facts and circumstances, including the amount of consideration paid to the transferee, do not reasonably indicate to the transferor that the taxes associated with the residual interest will not be paid.

A transfer satisfies the formula test if the present value of the anticipated tax liabilities associated with holding the residual interest does not exceed the sum of (1) the present value of any consideration given to the transferee to acquire the interest, (2) the present value of the expected future distributions on the interest, and (3) the present value of the anticipated tax savings associated with holding the interest as the REMIC generates losses.

A residual interest in a REMIC (including a residual interest with significant value at issuance) is a noneconomic residual interest unless, at the time of the *transfer*, (1) the present value of the expected future distributions on the residual interest at least equals the product of the present value of the anticipated excess inclusions and the highest corporate income tax rate in effect for the year in which the transfer occurs and (2) the transferor reasonably expects that for each anticipated excess inclusion the transferee will receive distributions from the REMIC at or after the time at which taxes accrue on the anticipated excess inclusion in an amount sufficient to satisfy the taxes accrued.

The REMIC Regulations provide that any transfer of a residual interest (whether or not a noneconomic residual interest) to a non-U.S. person is disregarded for all federal tax purposes if the residual interest has “tax avoidance potential.” A residual interest has tax avoidance potential under the REMIC Regulations unless, at the time of transfer, the transferor reasonably expects that:

- for each excess inclusion, the REMIC will distribute on the residual interest an amount that will equal at least 30% of the excess inclusion, and
- the transferee will receive each such distribution from the REMIC at or after the time at which the excess inclusion accrues and not later than the close of the calendar year following the calendar year of accrual.

The reasonable expectation requirement will be satisfied if the above test would be met assuming that the Mortgages underlying the REMIC’s assets were to prepay at each rate between 50% and 200% of the Pricing Speed. The REMIC Regulations also provide that a transfer from a non-U.S. person to a U.S. person or to a non-U.S. person engaged in a United States trade or business is disregarded if the transfer has “the effect of allowing the transferor to avoid tax on accrued excess inclusions.”



With respect to a Residual Class that has been held at any time by a non-U.S. person, we (or our agent) will be entitled to withhold (and to pay to the Service) any portion of any payment on such Residual Class that we reasonably determine is required to be withheld. If we (or our agent) reasonably determine that a more accurate determination of the amount required to be withheld from a distribution can be made within a reasonable period after the scheduled date for such distribution, we may hold such distribution in trust for the Owners of any such Residual Class, until we can make the more accurate determination.

Certain restrictions will be imposed on transfers of the interests in Residual Classes, including the requirement that no transfer to a non-U.S. person (or, for certain Residual Classes, to any person) will be permitted without our written consent. These restrictions, together with those imposed under the REMIC Regulations, may have the practical effect of rendering the interests in certain Residual Classes non-transferable.

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

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

A “**Non-U.S. person**” is a beneficial owner of a Certificate that is an individual, a corporation, a trust or an estate that is not a U.S. person.

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

### **Miscellaneous**

If the equity interest in a non-U.S. person investor is held in whole or in part by a U.S. person, the investor or U.S. person should consult its own tax advisors regarding any tax consequences to such U.S. person of the investor’s purchase of an interest in a Residual Class.

The Treasury regulations provide that a transferee does not immediately recognize income upon the receipt of an inducement payment in connection with the transfer of a noneconomic residual interest. Rather, the payment is recognized as income over a period that is reasonably related to the period during which the REMIC is expected to generate taxable income or net loss allocable to the

holder of the noneconomic Residual Class. The regulations provide the following two safe harbor methods for tax accounting for the payment:

- A transferee may recognize the payment for federal income tax purposes in the same amounts and over the same period in which the payment is included in the transferee's income for financial reporting purposes, provided that such period is not shorter than the period over which the REMIC is expected to generate taxable income.
- A transferee may recognize the payment for federal income tax purposes ratably over the "anticipated weighted average life of the REMIC," as defined in the REMIC Regulations, as determined at the time the transferee acquires the residual interest.

The regulations state that the unamortized amount of the payment must be currently included by a transferee on disposition of the Residual Class. Additionally, the regulations provide that a transferee's treatment of the payment is a method of accounting that must be consistently applied to all such payments received by the transferee in connection with noneconomic residual interests. Finally, the regulations state that such payment shall be treated as income from U.S. sources.

Certain federal income tax consequences of a payment made to a transferee on the transfer of a Residual Class remain unclear. If you receive a payment in connection with the acquisition of a Residual Class, you should consult your tax advisor as to the proper treatment of such payment.

## **TREATMENT OF SERVICING COMPENSATION**

Certain items may be deductible with respect to certain Classes, including servicing, guarantee and administrative fees (including any prepayment premiums retained by the servicer with respect to prepayment penalty Mortgages (which we ceased purchasing on or about August 1, 2014) to the extent they are treated as servicing compensation) paid to the servicer of the Mortgages or, if applicable, to GNMA or to Freddie Mac. These items will be allocated entirely to the Residual Class in the case of REMIC Pools with multiple classes of interests that pay their principal amounts sequentially. As a result, the REMIC Pool will report additional taxable income to the Residual Class in an amount equal to their allocable share of such items, and individuals, estates, or trusts holding an interest in such a Residual Class may have taxable income in excess of the cash received. In the case of a "Single-class REMIC" as defined in applicable Treasury regulations, such deductions will be allocated proportionately among the Regular and Residual Classes.

Miscellaneous itemized deductions described in Section 67 of the Code previously available to investors who are individuals, estates or trusts are not deductible for taxable years beginning before January 1, 2026, and continue to not be deductible for computing alternative minimum tax liability. Accordingly, such investors may have taxable income in excess of the cash received with respect to their Certificate. If you are an individual, estate or trust, you should consult your tax advisor regarding the limitations on the deductibility of such items.

## **TAXATION OF MACR CLASSES**

### **General**

Each MACR Pool will be classified as a grantor trust under subpart E, part I of subchapter J of the Code. The interests in the Regular Classes that have been exchanged with us for MACR Classes (including any exchanges effective on the date of issuance of the Regular Classes) will be the assets of

the MACR Pool and the MACR Classes will represent beneficial ownership of these interests in the Regular Classes.

### **Tax Status**

The MACR Classes should be considered to represent assets described in Code Sections 7701(a)(19)(C) and 856(c)(4)(A). Original issue discount and interest accruing on MACR Classes should be considered to represent “interest on obligations secured by mortgages on real property or on interests in real property” within the meaning of Code Section 856(c)(3)(B) in its entirety if 95% or more of the assets of the related REMIC Pool are treated as “real estate assets” within the meaning of Code Section 856(c)(5)(B). If less than 95% of the assets of the related REMIC Pool are treated as “real estate assets” (e.g., where the assets of the related REMIC Pool consist of high-LTV Mortgages), then a pro rata portion of the original issue discount and interest accruing on such MACR Classes may not be considered to represent income described in Code Section 856(c)(3)(B). The applicable Supplement will identify those MACR Classes where the related REMIC Pool is backed by high-LTV Mortgages. MACR Classes will be “qualified mortgages” under Code Section 860G(a)(3) for a REMIC.

### **Tax Accounting for MACR Classes**

A MACR Class will represent beneficial ownership of an interest in one or more related Regular Classes. If it represents an interest in more than one Regular Class, you must allocate your basis in the MACR Class among the interests in the Regular Classes in accordance with their relative fair market values as of the time of acquisition. Similarly, on the sale of such a MACR Class, you must allocate the amount received on the sale among the interests in the Regular Classes in accordance with their relative fair market values as of the time of sale.

As an investor in a MACR Class, you must account separately for each interest in a Regular Class (there may be only one such interest). Where the interest represents a pro rata part of a Regular Class, you should account for such interest as described under *Taxation of Regular Classes* above. Where the interest represents beneficial ownership of a disproportionate part of the principal and interest payments on one or more Regular Classes (a “Strip”), you will be treated as owning, pursuant to Code Section 1286, “stripped bonds” to the extent of your share of principal payments and “stripped coupons” to the extent of your share of interest payments on such Regular Classes. Although the tax treatment of a Strip is unclear, we intend to treat each Strip as a single debt instrument for purposes of information reporting. The Service, however, could take a different position. For example, the Service could contend that a Strip should be treated as a pro rata part of the Regular Class to the extent that the Strip represents a pro rata portion of it, and “stripped bonds” or “stripped coupons” with respect to the remainder. You should consult your tax advisors regarding this matter.

We intend to report with respect to a MACR Class assuming that all payments on a Strip are included in the stated redemption price of the Strip. You should calculate original issue discount with respect to each Strip and include it in ordinary income as it accrues, which may be prior to the receipt of cash attributable to such income, in accordance with a constant yield method that takes into account the compounding of interest. See *Taxation of Regular Classes — Original Issue Discount* above. You should determine your yield to maturity based on your purchase price allocated to the Strip and on a schedule of payments projected using a prepayment assumption, and then make periodic adjustments to take into account actual prepayment experience. It is not clear whether the prepayment assumption

you should use to calculate original issue discount would be determined at the time of purchase of the Strip or would be the original Pricing Speed with respect to the related Regular Class. Further, if the related Regular Class is backed by a callable class of CPCs, it is not clear whether such prepayment assumption should take into account the possibility of the retirement of the Strip concurrently with the redemption of the Regular Class. You should consult your tax advisors regarding these matters. For purposes of information reporting relating to original issue discount, we will use the original yield to maturity of the Strip determined as of the date of issuance of the Series, calculated based on the original Pricing Speed.

If original issue discount accruing with respect to a Strip, computed as described above, is negative for any period, you will be entitled to offset such amount only against future positive original issue discount accruing from such Strip, and we intend to report income in all cases in this manner. Although not entirely free from doubt, you may be entitled to deduct a loss to the extent that your remaining basis would exceed the maximum amount of future payments to which you are entitled with respect to such Strip, assuming no further prepayments of the Mortgages (or, perhaps, assuming prepayments at a rate equal to the Pricing Speed). Although the issue is not free from doubt, all or a portion of such loss may be treated as a capital loss if you treat the Strip as a capital asset.

You will realize gain or loss on the sale of a Strip in an amount equal to the difference between the amount realized and your adjusted basis in the Strip. Your adjusted basis generally is equal to your allocated cost of the Strip, increased by income previously included, and reduced (but not below zero) by distributions previously received. Except as described below, any gain or loss on such sale will be capital gain or loss if you held your interest as a capital asset and will be long-term if the interest has been held for the long-term capital gain holding period (more than one year). Such gain or loss will be ordinary income or loss (1) for a bank or thrift institution or (2) to the extent income recognized by you is less than the income that would have been recognized if the yield on such interest were 110% of the applicable federal rate under Code Section 1274(d).

If you exchange a Regular Class for several MACR Classes and then sell one of the MACR Classes, the sale will subject you to the coupon stripping rules of Code Section 1286. You must allocate your basis in the exchanged Regular Class between the part of the Regular Class underlying the MACR Class sold and the part of the Regular Class underlying the MACR Classes retained in proportion to their relative fair market values as of the date of such sale. You are treated as purchasing the interest retained for the amount of basis allocated to such interest. You must calculate original issue discount with respect to the retained interest as described above.

Although the matter is not free from doubt, if you acquire in one transaction a combination of MACR Classes that may be exchanged for a Regular Class, you should be treated as owning the Regular Class.

## **EXCHANGES OF MACR CLASSES AND REGULAR CLASSES**

An exchange of an interest in one or more Regular Classes for an interest in one or more MACR Classes, or vice versa (or, if permitted, an exchange of an interest in one or more MACR Classes for an interest in one or more other MACR Classes), will not be a taxable exchange. After the exchange, you will be treated as continuing to own the interests in the Regular Class or Classes that you owned immediately prior to the exchange.

## ADOPTION OF AN ALTERNATIVE INDEX

In the event that an alternative index is adopted in response to changes to, or the elimination of, LIBOR, the tax consequences with respect to Classes with Class Coupons based on LIBOR are unclear. Under general principles of federal income tax law, certain modifications of a debt instrument may cause a deemed exchange (a “**Deemed Exchange**”) upon which gain or loss is realized if the modified debt instrument differs materially either in kind or extent from the original debt instrument (a “**Significant Modification**”). In the absence of guidance, it is possible that the adoption of an alternative index could be treated as a Significant Modification, resulting in a Deemed Exchange upon which gain or loss may be realized. Any such modification would affect Classes with Class Coupons based on LIBOR. Holders are advised to consult their own tax advisors regarding the adoption of an alternative index.

## TAXATION OF THE CPCS

### Callable Class

*Allocations.* If you own a Callable Class, you will be required, for federal income tax purposes, to account separately for the assets underlying such Callable Class (the “**Underlying REMIC Class**”) and the call option you are deemed to have written. You must allocate your purchase price for the Callable Class between the Underlying REMIC Class and the call option based on the relative fair market values of each on the date of purchase. The (positive) amount that you allocate to the Underlying REMIC Class is your basis in the Underlying REMIC Class and the (negative) amount that you allocate to the call option is the option premium you are deemed to have received for writing the call option. Accordingly, your basis in the Underlying REMIC Class will be *greater* than the amount you paid for the Callable Class.

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

*Taxation of Underlying REMIC Class.* Except as described below under *Application of the Straddle Rules*, the anticipated material federal income tax consequences to you of purchasing, owning and disposing of your interest in the Underlying REMIC Class will be as described above under *Taxation of Regular Classes*.

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

As the owner of a Callable Class, you will include the option premium in income as short-term capital gain when the call right lapses. The principal amount (including accrued interest, if any, that

has been added to such principal amount) of the Underlying REMIC Class will be reduced over time due to principal payments. It is not entirely clear whether the call right would thus be deemed to lapse as the Underlying REMIC Class is paid down, and if so, at what rate. However, we intend to assume that the call right lapses, and you would recognize the related premium, proportionately as principal is paid on the Underlying REMIC Class (whether as scheduled principal payments or prepayments) after the first date on which the call right may be exercised. The Service may or may not agree with this method of determining income from the lapse of the call right.

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

### **Call Class**

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

- Added to the purchase price of the Underlying REMIC Class (in addition to any fee for the exchange) if the Underlying REMIC Class is purchased upon exercise of the call right.
- Treated as a loss as the call right lapses.

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

### **Application of the Straddle Rules**

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

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



## **Tax-Exempt Organizations**

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

## **TAXATION OF NPCS**

### **Allocations**

Holder of a Certificate that represents, in part, rights under an NPC must separately determine their tax bases for the REMIC Regular Class and the NPC. For tax reporting purposes, we will allocate the issue price of the Certificate to the REMIC Regular Class and the NPC in accordance with their relative fair market values as of the Closing Date. This allocation is binding on Holders unless they disclose the use of a different allocation on their tax returns. Our allocation, however, is not binding on the Internal Revenue Service. Similarly, a Holder that sells such Certificate is required to allocate the sale price for the Certificate to the REMIC Regular Class and the NPC in proportion to their respective fair market values at the time of sale. Holders are advised to consult their own tax advisors regarding the allocations described above.

### **Special Tax Considerations Applicable to NPCs**

As described above under — *REMIC Election*, we intend to treat an NPC as a “notional principal contract” for federal income tax purposes. The portion of a Certificate issue price allocated to an NPC under — *Allocations* above (the “**NPC Premium**”) will be treated as a “nonperiodic payment” under the Treasury regulations relating to notional principal contracts. Under these regulations, Holders of Certificates that represent, in part, rights under an NPC may amortize the NPC Premium under a level payment method as if the NPC Premium represents the present value of a series of equal payments made over the life of the NPC (adjusted to take into account decreases in notional amount), discounted at a rate equal to the rate used to determine the amount of the NPC Premium (or some other reasonable rate). We intend to report premium amortization with respect to an NPC in this manner based on our determination of the NPC Premium and an amortization schedule for such premium calculated as of the Closing Date. Consequently, our reporting with respect to the NPC Premium amortization may not be accurate for subsequent purchasers of such Certificates. We intend to report premium amortization by periodically adjusting the schedule to reflect actual decreases in the notional amount.

Any payments received by a Holder under an NPC will be treated as “periodic payments” under a notional principal contract, which must be taken into account under the accrual method of accounting. Any periodic payments received under an NPC will be netted against the NPC Premium amortization expense accrued in that period. Net income or loss with respect to an NPC for a taxable year will constitute ordinary income or ordinary loss. Certain Holders may be limited in their ability to deduct any such net loss. In this regard, Holders of such Certificates should be aware that miscellaneous items described in Code Section 67 are not deductible for taxable years beginning before January 1, 2026. Holders should consult their tax advisors regarding the effect, if any, of this provision on their individual circumstances.

Holder of a Certificate that represents, in part, rights under an NPC should be aware that although Treasury regulations under Section 1275 of the Code generally permit the integration of a “qualifying debt instrument” with a hedge if the combined cash flows of the components are substantially equivalent to the cash flows on a variable rate debt instrument, such regulations specifically disallow integration of debt instruments subject to Section 1272(a)(6) of the Code (*e.g.*, a

REMIC regular interest). Consequently, Holders of such Certificates will be unable to make an integration election with respect to the REMIC Regular Class and the NPC.

Any proceeds from the sale or exchange of such Certificates that are allocable to the Holder's rights under the NPC would be considered a "termination payment" under the notional principal contract regulations. A Holder will recognize gain or loss from such termination of the NPC in an amount equal to (i) any termination payment deemed received minus (ii) the Holder's unamortized basis in the NPC. Gain or loss realized upon the termination of the NPC generally will be treated as capital gain or loss. In the case of a bank or thrift institution, Section 582(c) of the Code likely would not apply to treat such gain or loss as ordinary.

Holders of a Certificate that represents, in part, rights under an NPC should consult their own tax advisors regarding the timing, character and source of income and deduction resulting from their ownership of such Certificates, including whether the REMIC Regular Class and the NPC could be considered positions in a straddle.

## **TAXATION OF CERTAIN FOREIGN INVESTORS**

### **Regular Classes and MACR Classes**

Interest, including original issue discount, distributable to an investor in a Regular Class or MACR Class that is a non-U.S. person not engaged in a U.S. trade or business will be considered "portfolio interest" and, therefore, will not be subject to the 30% United States withholding tax provided that the non-U.S. person provides Internal Revenue Service Form W-8BEN or W-8BEN-E (or similar substitute forms), signed under penalties of perjury, identifying the investor and stating, among other things, that the investor in the Regular Class or MACR Class is a non-U.S. person. In the case of a Regular Class or MACR Class held by a foreign partnership or foreign trust, the form described in the preceding sentence must be provided by the partners or beneficiaries, as the case may be, rather than by the foreign partnership or foreign trust. If this form is not provided, the 30% United States withholding tax may apply unless an income tax treaty reduces or eliminates such tax. If the interest is effectively connected with the conduct of a trade or business within the United States (and if an income tax treaty applies, is attributable to a U.S. permanent establishment) by a non-U.S. person and the non-U.S. person provides an Internal Revenue Service Form W-8ECI (or an acceptable substitute form), the interest payments will not be subject to the 30% United States withholding tax. The non-U.S. person, however, will be subject to United States federal income tax at regular rates. If you are an investor in a Regular Class or MACR Class and are a non-U.S. person, you should consult your tax advisors.

### **Residual Classes**

A distribution to a Residual Owner that is a non-U.S. person will not be subject to the 30% withholding tax provided that (1) the conditions described in the preceding paragraph are met and (2) the distribution does not constitute an "excess inclusion" (but only, in the case of a Single-Tier Series or a Lower-Tier REMIC Pool in a Double-Tier Series, to the extent the Mortgages were originated after July 18, 1984). Excess inclusions are subject to a 30% withholding tax in all events when distributions are made (or when the interest in the Residual Class is disposed of). The Code grants the Treasury authority to issue regulations requiring withholding earlier if necessary to prevent avoidance of tax. The preamble to the REMIC Regulations indicates that the Service is considering this issue. Residual Owners that are non-U.S. persons should consult their own tax advisors. Temporary

Treasury regulations may accelerate the time for withholding with respect to excess inclusions allocable to Non-U.S. persons that invest in a partnership (or in another type of pass-through entity) that holds a Residual Class. Accordingly, the withholding obligation may apply even in the absence of the receipt of cash by the partnership.

## **BACKUP WITHHOLDING**

Distributions made on the Certificates and proceeds from the sale of Certificates to or through certain brokers may be subject to a United States federal “backup” withholding tax on “reportable payments” (including interest accruals, original issue discount and, under certain circumstances, distributions in reduction of principal amount) unless, in general, you comply with certain procedures or are an exempt recipient. Any amounts so withheld from distributions on the Certificates would be refunded by the Service or allowed as a credit against your federal income tax.

## **REPORTING AND ADMINISTRATIVE MATTERS**

Reports will be made to the Service and to Holders of record of Certificates that are not excepted from the reporting requirements.

We will prepare, sign and file federal income tax returns for each REMIC Pool. A Residual Owner is required to treat items on its returns consistently with their treatment on the REMIC Pool’s return, unless the Owner owns 100% of the Residual Class for the entire calendar year or the Owner either files a statement identifying the inconsistency or establishes that the inconsistency resulted from incorrect information received from the REMIC Pool. The Service may assess a deficiency resulting from a failure to comply with the consistency requirement without instituting an administrative proceeding at the REMIC level. Any person that holds a Residual Class interest as a nominee for another person may be required to furnish the REMIC Pool, in a manner to be provided in Treasury regulations, the name and address of such other person and other information.

We will provide Holders of the Residual Classes information to enable them to prepare reports required under the Code or applicable Treasury regulations. Because we do not intend to hold the Residual Classes, applicable law may not allow us to perform tax administrative functions for the REMIC Pools. Therefore, if you own a Residual Class, you may have certain tax administrative obligations, for which we will act as your attorney-in-fact and agent.

The Bipartisan Budget Act of 2015 (the “**2015 Budget Act**”) repealed and replaced the audit rules affecting entities treated as partnerships, their partners and the persons that are authorized to represent entities treated as partnerships in certain administrative and judicial proceedings. Under the 2015 Budget Act, the rules also apply to REMICs, the holders of REMIC residual interests and the trustees or administrators authorized to represent REMICs in certain administrative and judicial proceedings. These audit rules are effective for taxable years beginning with 2018 and apply to both new and existing REMICs.

Under the 2015 Budget Act, a REMIC appoints one person to act as its sole representative in connection with audits conducted by the Service and related procedures. In the case of a REMIC, the representative’s actions, including the representative’s agreeing to adjustments to taxable income, will bind Residual Owners to a greater degree than would actions of the tax matters partner under prior rules. Further, an adjustment to the REMIC’s taxable income following an audit conducted by the Service may have to be taken into account by those Residual Owners in the year in which the adjustment is made rather than in the year to which the adjustment relates and otherwise may have to

be taken into account in different and potentially less advantageous ways than under prior rules. In some cases, a REMIC Pool could itself be liable for taxes on income adjustments, although it is anticipated that such REMIC Pool's representative will seek to follow procedures in the 2015 Budget Act and related Treasury regulations to avoid entity-level liability to the extent it otherwise may be imposed. The 2015 Budget Act rules are complex. Residual Owners should discuss with their own tax advisors the possible effect of the 2015 Budget Act rules on them.

To the extent allowable, we will act as the partnership representative for each REMIC Pool. Each Residual Owner, by the acceptance of its interest in a Residual Class, agrees that we will act as the Owner's fiduciary in the performance of any duties required of the Owner in the event that the Owner is the partnership representative.

## **FOREIGN ACCOUNT TAX COMPLIANCE ACT**

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

## **ERISA CONSIDERATIONS**

A Department of Labor regulation provides that if a plan subject to Part 4, Subtitle B of Title I of the Employee Retirement Income Security Act of 1974, as amended ("**ERISA**") and/or Section 4975 of the Code (each, a "**Plan**") acquires a "guaranteed governmental mortgage pool certificate," then, for purposes of the fiduciary responsibility and prohibited transaction provisions of ERISA and the Code, the Plan's assets include the certificate and all of its rights in the certificate, but do not, solely by reason of the Plan's holding of the certificate, include any of the mortgages underlying the certificate. Under this regulation, the term "guaranteed governmental mortgage pool certificate" includes a certificate "backed by, or evidencing an interest in, specified mortgages or participation interests therein" if Freddie Mac guarantees the interest and principal payable on the certificate.

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

The Regular and MACR Classes should qualify as "guaranteed governmental mortgage pool certificates."

Governmental plans and certain church plans, while not subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of ERISA and the Code, may nevertheless be subject to local, state or other federal laws that are substantially similar to provisions of

ERISA and the Code. Fiduciaries of any such plans should consult with their own legal advisors before purchasing Certificates.

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

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

In addition, special considerations apply to Callable Classes of Certificates. The acquisition of a call right by the beneficial owner of the related Call Class, as well as the consequences of the exercise of the call right by such a beneficial owner, might be treated under ERISA as principal transactions between the beneficial owners of the related Callable Class of Certificates and the beneficial owner of that Call Class. Thus, in theory, the acquisition or exercise of the call right could be characterized under certain circumstances as a prohibited transaction under ERISA or Section 4975 of the Code between a Plan and a “party in interest” (under ERISA) or a “disqualified person” (under Section 4975 of the Code) (assuming that the Plan owns a Callable Class of Certificates and the “party in interest” or “disqualified person” owns the related Call Class, or vice versa), unless a prohibited transaction exemption, such as PTE 84-14 (for Transactions by Independent Qualified Professional Asset Managers), is applicable. A Call Class may be deemed to be an option to acquire a guaranteed governmental mortgage pool certificate rather than such a certificate. Plan fiduciaries should consult with their counsel concerning these issues.

The purchase of an interest in a Residual Class by a Plan may give rise to “unrelated business taxable income” as described in Code Sections 511 through 515 and Section 860E. See *Certain Federal Income Tax Consequences — Taxation of Residual Classes — Excess Inclusions*.

## ACCOUNTING CONSIDERATIONS

Various factors may influence the accounting treatment applicable to your Certificates. Accounting standards, and the application and interpretation of such standards, are subject to change from time to time. Before making an investment in the Certificates or exchanging Certificates, you are encouraged to consult your own accountant for advice on the appropriate accounting treatment for the Certificates.



## LEGAL INVESTMENT CONSIDERATIONS

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

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

## PLAN OF DISTRIBUTION

For each Series of Certificates, Freddie Mac will enter into a purchase agreement with one or more underwriters (each, an **“Underwriter”**), who will offer the Classes of that Series as described in the related Supplement. Underwriters and their affiliates may engage in other transactions with and perform services for Freddie Mac in the ordinary course of business. Freddie Mac, the Underwriters or other parties may receive compensation, trading gain or other benefits in connection with such transactions. We typically receive a fee from the Underwriter for each offering.

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

We may engage in transactions that affect the payment behavior and market prices of Certificates. For any Series, we may furnish some or all of the Assets from our own portfolio, and we may acquire some or all of the related Classes of Certificates. Assets from our portfolio may emphasize specific Mortgage characteristics, such as loan purpose, source of origination, geographic distribution or loan size, or specific borrower characteristics, such as credit score or equity in the property. In addition, from time to time we may repurchase Certificates on the market for our portfolio, and we may offer for sale any Certificates that we hold.

## INCREASE IN SIZE

Before any offering of Certificates closes, Freddie Mac may increase the size of the offering by increasing the amount of the Assets or any Asset Group. In that event, the Certificates receiving payments from those Assets will have the same characteristics as described in the related Supplement, except that (a) the original principal or notional principal amount of each related REMIC Class, (b) the maximum original principal or notional principal amount of each related MACR Class and (c) the dollar values of any applicable principal payment schedules or priority amounts, all will increase by the same proportion. The related Terms Supplement will reflect any increase in size of an offering.



## INDEX OF TERMS

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## STANDARD DEFINITIONS AND ABBREVIATIONS FOR CLASSES

The following chart identifies and generally defines most categories of Classes. The first column of the chart shows our standard abbreviation for each category. Each Supplement will identify the categories of Classes of the related Series by means of one or more of these abbreviations.

### PRINCIPAL TYPES

Freddie Mac Standard Abbreviation	Category of Class	Definition
AD	Accretion Directed	Classes that are designed to receive principal payments from the interest that accrues on specified Accrual or Partial Accrual Classes. These Classes also may receive principal payments from principal paid on the underlying Assets.
AS	Accelerated Security	Shifting Payment Percentage Classes that are generally expected to receive principal payments more rapidly than the related Non-Accelerated Securities in earlier periods.
AFC	Available Funds	Classes that may receive as principal, in addition to other amounts, a portion of the funds received as interest on the underlying Assets, to the extent that such funds remain available after accrued interest due on the same or related Classes has been paid.
CALL	Call	Classes whose Holders have the right to direct Freddie Mac to redeem the related Callable Class or Classes, as provided in the applicable Supplement.
CALLABLE	Callable	Classes that are redeemable, directly or indirectly, at the direction of the Holder of the related Call Class, as provided in the applicable Supplement.
CPT	Component	Classes consisting of Components. The Components of a Component Class may have different principal and/or interest payment characteristics but together constitute a single Class. Each Component of a Component Class may be identified as falling into one or more of the categories in this chart.
GMC	Guaranteed Maturity Class	Classes that have a Final Payment Date earlier than the latest date by which those Classes might be retired solely from payments on their underlying Assets. Typically, Holders of a Guaranteed Maturity Class receive payments up to their Final Payment Date from payments made on a related Guaranteed Maturity Underlying REMIC Class. On its Final Payment Date, however, the Holders of an outstanding Guaranteed Maturity Class will be entitled to receive the entire outstanding principal balance of their Certificates, plus interest at the applicable Class Coupon accrued during the related Accrual Period, even if the related Guaranteed Maturity Underlying REMIC Class has not retired.

Freddie Mac Standard Abbreviation	Category of Class	Definition
JMP	Jump	Classes whose principal payment priorities change upon the occurrence of multiple “trigger” or other priority-changing conditions. This category includes Classes whose priority-changing conditions fail to satisfy the requirements for the Non-Sticky Jump or Sticky Jump designation.
NAS	Non-Accelerated Security	Shifting Payment Percentage Classes that are generally expected to receive principal payments more slowly than the related Accelerated Securities in earlier periods. On each Payment Date or beginning on a specified Payment Date, however, each Class of Non-Accelerated Securities is entitled to a prescribed allocation of scheduled principal payments and prepayments on the underlying Mortgages that may change over time.
NPR	No Payment Residual	Residual Classes that are designed to receive no payments of principal.
NSJ	Non-Sticky Jump	Classes whose principal payment priorities change temporarily upon the occurrence of a single “trigger” or priority-changing condition. A Non-Sticky Jump Class “jumps” or is “jumped” (changes its principal payment priority to its new priority) on each Payment Date when the condition is met and reverts to its original priority (does not “stick” to the new priority) on each Payment Date when the condition is not met.
NTL	Notional	Classes having only a notional principal amount. A notional principal amount is the amount used as a reference to calculate the amount of interest due on an Interest Only Class that is not entitled to any principal. The Supplements typically indicate parenthetically the type of Class with which a Notional Class will reduce or how a Notional Class will reduce with respect to its underlying Assets. For example, “NTL(PAC)” may designate a Notional Class whose notional principal amount will reduce based on principal reductions of one or more PAC Classes, and “NTL(PT)” or “NTL(STP)” may designate a Notional Class whose notional principal amount will reduce proportionately with principal reductions of the related Assets.
PAC	PAC (or Planned Amortization Class)	Classes that are designed to receive principal payments using a predetermined schedule derived by assuming two <i>constant</i> prepayment rates (a “ <b>Structuring Range</b> ”) for the underlying Mortgages. A PAC schedule generally will reflect a Structuring Range at least 30% PSA (or 2% CPR) above and at least 30% PSA (or 2% CPR) below the Pricing Speed for the related Series. In addition, a PAC Class generally will have a range of <i>constant</i> Mortgage prepayment rates, based on the Mortgage assumptions used in modeling its Series (an “ <b>Effective Range</b> ”), that meets these same criteria and at which it would receive scheduled payments. PAC Classes will always have one or more related Support Classes.

Freddie Mac Standard Abbreviation	Category of Class	Definition
PT	Pass-Through	Classes which receive all or a specified portion of the principal payments on the underlying Assets (or designated portion of the Assets) and that are not designated as Strip or Sequential Pay Classes.
RTL	Retail	Classes designated for sale to retail investors. Retail Classes typically are issued in small Retail Class Units and may receive principal payments in accordance with special priorities and allocation procedures.
SC	Structured Collateral	Classes that receive payments from one or more previously issued REMIC or MACR Classes. In some cases, a Structured Collateral Class also may have the designation of its underlying Class; in other cases, a Structured Collateral Class also may have a designation based on the principal payment priorities in its Series. For example, “SC/PAC” may designate a Structured Collateral Class whose underlying Class is a PAC Class or a Structured Collateral Class which is designed as a PAC Class in its own Series. Some or all of the Classes which support a Structured Collateral Class designated as a PAC, Scheduled or TAC Class based on the designation of its underlying Class may be supporting Classes in the underlying Series.
SCH	Scheduled	<p>Classes that are designed to receive principal payments using a predetermined schedule or a specified monthly dollar amount, but that are not designated as PAC or TAC Classes. Scheduled Classes may include, among others, the following:</p> <ul style="list-style-type: none"> <li>• “High/Low Scheduled Classes” are designed to receive principal payments using two or more predetermined schedules, each of which is derived using either a single <i>constant</i> prepayment rate (a “<b>Structuring Rate</b>”) or a Structuring Range for the underlying Mortgages.</li> <li>• “Absolute Maturity Scheduled Classes” are designed to receive principal payments using a predetermined schedule (typically based on a percentage of the remaining principal balance of the underlying Assets) such that they will be retired by the last date of such schedule under all Mortgage prepayment scenarios, including a scenario in which no prepayments occur.</li> <li>• “Limited Range Scheduled Classes” are designed to receive principal payments using a predetermined schedule derived from a Structuring Range that is less than 30% PSA (or 2% CPR) above or less than 30% PSA (or 2% CPR) below the Pricing Speed for the related Series or have an Effective Range that meets these criteria.</li> <li>• “Component Scheduled Classes” are Classes consisting of PAC and TAC Components, PAC and Scheduled Components or Scheduled and TAC Components.</li> </ul> <p>Scheduled Classes will always have one or more related Support Classes.</p>



Freddie Mac Standard Abbreviation	Category of Class	Definition
SEG	Segment	A Class which, together with one or more other Classes, constitutes one or more principal payment “segments.”
SEQ	Sequential Pay	Classes that receive principal payments in a prescribed sequence, that do not have predetermined schedules and that, in most cases, receive payments of principal continuously from the first Payment Date on which they receive principal until they are retired. Sequential Pay Classes may receive principal payments concurrently with one or more other Sequential Pay Classes. A single Class that receives principal payments before, after or concurrently with all other Classes in the same Series may be identified as a Sequential Pay Class.
SJ	Sticky Jump	Classes whose principal payment priorities change permanently upon the occurrence of a single “trigger” or other priority-changing conditions. A Sticky Jump Class “jumps” or is “jumped” (changes its principal payment priority to its new priority) on the first Payment Date when the condition is met and retains (“sticks” to) that priority until retired.
SPP	Shifting Payment Percentage	Classes that receive principal attributable to prepayments on the underlying Mortgages in a different manner than principal attributable to scheduled payments and/or in shifting proportions over time.
STP	Strip	Classes that receive a constant proportion, or “strip,” of the principal payments on the underlying Assets (or designated portion of the Assets).
SUP	Support	Classes that receive principal payments from the underlying Assets on any Payment Date only if scheduled payments have been made on specified PAC, TAC and/or Scheduled Classes.
TAC	TAC (or Targeted Amortization Class)	Classes that are designed to receive principal payments using a predetermined schedule derived from a single Structuring Rate for the underlying Mortgages. A TAC Class also may have either an Effective Range or a single <i>constant</i> Mortgage prepayment rate, based on the Mortgage assumptions used in modeling its Series (an “ <b>Effective Rate</b> ”), at which it would receive scheduled payments. TAC Classes will always have one or more related Support Classes.
XAC	Index Allocation Class	Classes whose principal payment allocations are based on the value of an Index.

## INTEREST TYPES

Freddie Mac Standard Abbreviation	Category of Class	Definition
AFC	Available Funds	Classes whose entitlement to be paid accrued interest is subject to the availability of funds received as interest and/or principal payments on the underlying Assets. In the event such funds are insufficient, the amount of the deficiency may, if so provided in the applicable Supplement, be carried forward to subsequent Payment Dates (and may itself accrue interest) until sufficient funds are available to provide for the payment of the deficiency. Any deficiency that remains unpaid after the underlying Assets are retired will not be owing or paid and will not be covered by Freddie Mac's guarantees.
ARB	Ascending Rate	Classes that have predetermined Class Coupons that increase one or more times on dates determined before issuance.
DLY	Delay	A Floating Rate, Inverse Floating Rate or WAC Class for which there is a delay of 15 or more days from the end of its Accrual Period to the related Payment Date.
DRB	Descending Rate	Classes that have predetermined Class Coupons that decrease one or more times on dates determined before issuance.
EXE	Excess	Classes that receive any principal and interest paid on the underlying Assets in excess of the amount of the prescribed principal and interest required to be paid on all Classes in the Series. Excess Classes sometimes have specified principal amounts but no specified Class Coupon.
FIX	Fixed Rate	Classes with Class Coupons that are fixed throughout the life of the Class.
FLT	Floating Rate	Classes with Class Coupons that are reset periodically based on an Index and that vary directly with changes in the Index.
IDC	Index Differential	Classes with Class Coupons that are reset periodically based on the difference (or other specified relationship) between two or more designated Indices.
IRC	Interest Rate Cap	Classes that receive payments of any accrued interest in excess of a specified rate based solely on benefits received under a third-party derivative contract. As a result, payments of any such excess accrued interest will not be covered by the Freddie Mac guarantee.
INV	Inverse Floating Rate	Classes with Class Coupons that are reset periodically based on an Index and that vary inversely with changes in the Index.

Freddie Mac Standard Abbreviation	Category of Class	Definition
IO	Interest Only	Classes that receive some or all of the interest payments made on the underlying Assets and little or no principal. Interest Only Classes have either a nominal or a notional principal amount. A nominal principal amount represents actual principal that will be paid on the Class. It is referred to as nominal since it is extremely small compared to other Classes. A notional principal amount is the amount used as a reference to calculate the amount of interest due on an Interest Only Class that is not entitled to any principal.
NPR	No Payment Residual	Residual Classes that are designed to receive no payments of interest.
PEC	Payment Exchange Certificates	Classes whose Class Coupons vary, in whole or in part, based upon payments of interest made to or from one or more related Classes.
PO	Principal Only	Classes that do not receive any interest.
PZ	Partial Accrual	Classes that accrete a part of their interest, which is added to the outstanding principal balance, and receive payments of the remainder as interest.
S	Structured Formula	Floating Rate and Inverse Floating Rate Classes with Class Coupons that are periodically reset using a formula other than an Index (without any multiplier) plus a constant, in the case of Floating Rate Classes, or a constant minus an Index (without any multiplier), in the case of Inverse Floating Rate Classes, and which are not designated as Toggle Classes.
T	Toggle	Floating Rate, Inverse Floating Rate and Weighted Average Coupon Classes with Class Coupons that change significantly as a result of very small changes in the applicable Index. The change in Class Coupon may not be a continuous function of changes in the Index; rather, a change in the Index may result in a “shift” from a predetermined rate or formula to a different predetermined rate or formula.
W	WAC (or Weighted Average Coupon)	Classes whose Class Coupons represent a blended interest rate that may change from period to period. WAC Classes may consist of Components with different interest rates or may be backed by Assets with different interest rates.
Z	Accrual	Classes that accrete all of their interest, which is added to their outstanding principal balance. This accretion may continue until the Class begins receiving principal payments, until some other event has occurred or until the Class is retired.

## MACR CERTIFICATE EXCHANGES

The Supplement for each Series that includes one or more MACR Classes will identify those Classes and the Combinations of related REMIC Classes and MACR Classes.

### Exchanges

We permit any exchange of Classes within a Combination, subject to the following constraints:

- The Classes must be exchanged in the applicable “exchange proportions,” if any, shown in the Supplement. As described below, these are based on the *original* principal amounts (or *original* notional principal amounts, if applicable) of the REMIC Classes or MACR Classes, as applicable.
- The aggregate principal amount (rounded to whole dollars) of the Certificates received in the exchange, immediately after the exchange, must equal that of the Certificates surrendered for exchange immediately before the exchange (for this purpose, the principal amount of any Notional Class always equals \$0).
- The aggregate “Annual Interest Amount” (rounded to whole dollars) of the Certificates received in the exchange must equal that of the Certificates surrendered for exchange. The “**Annual Interest Amount**” for any Certificate equals its outstanding principal or notional principal amount times its Class Coupon. If an exchange includes one or more Floating Rate or Inverse Floating Rate Classes, the Annual Interest Amount for the Classes received and the Classes surrendered must be equal at all levels of the applicable Index.

Where “exchange proportions” are shown for Classes that are exchangeable for other Classes, we base those proportions on the *original*, rather than on the *outstanding*, principal or notional principal amounts of the Classes. If the Classes receive principal payments pro rata with each other, the exchange proportions also will apply to their *outstanding* principal amounts. If the Classes do not receive principal payments pro rata with each other, you can calculate current exchange proportions for the Classes, based on their *outstanding* principal amounts, by (1) multiplying the exchange proportion for each Class by its current Class Factor and (2) dividing each resulting percentage by the sum of such percentages.

*Example:* Class A and Class B, which together are exchangeable for a MACR Class, have equal *original* principal amounts and therefore have exchange proportions of 50% and 50%. However, they receive principal payments in alphabetical order, so that no principal payment is made on Class B until Class A has been retired. If the current Class Factors are 0.6000000 for Class A and 1.0000000 for Class B, you would calculate their current exchange proportions, based on their *outstanding* principal amounts, as follows:

Step (1):

Class A:  $50\% \times 0.6000000 = 30\%$

Class B:  $50\% \times 1.0000000 = 50\%$

Step (2):

Class A:  $30\% \div (30\% + 50\%) = 37.5\%$

Class B:  $50\% \div (30\% + 50\%) = 62.5\%$

A permitted exchange might include \$375,000 *outstanding* principal amount of Class A and \$625,000 *outstanding* principal amount of Class B (equivalent to \$625,000 *original* principal amount of Class A and \$625,000 *original* principal amount of Class B). If Class A has been retired, its *current* exchange proportion would be 0%, that of Class B would be 100%, and only Class B would be included in the exchange.

Any exchanges will be subject to the rules, regulations and procedures applicable to our book-entry securities, in the case of Classes in book-entry form.

The first payment on a REMIC Certificate or a MACR Certificate received in an exchange transaction will be made on the Payment Date in either the first or the second month after the exchange, depending on its Payment Delay. We will make this payment to the Holder of record as of the applicable Record Date.

### Types of Combinations

Within a particular Series, one or more types of Combinations may exist.

In some cases you can exchange two or more REMIC Classes for a single MACR Class, and vice versa. The following illustrates such a Combination:

REMIC Certificates				MACR Certificates			
Class	Original Balance	Exchange Proportions	Class Coupon	Class	Maximum Original Balance	Exchange Proportions	Class Coupon
A	\$10,000,000	50%	10%	M	\$20,000,000	100%	5%
PO	10,000,000	50	0				

In some cases you can exchange a single REMIC Class for two or more MACR Classes, and vice versa. The following illustrates such a Combination:

REMIC Certificates				MACR Certificates			
Class	Original Balance	Exchange Proportions	Class Coupon	Class	Maximum Original Balance	Exchange Proportions	Class Coupon
A	\$10,000,000	100%	10%	M	\$10,000,000	100%	0%
				MI	10,000,000(notional)	*	10

\* Not applicable. The notional principal amount of the MI Class being exchanged equals the principal amount of the M Class being exchanged.

Finally, in some cases you can exchange a REMIC Class or Classes for various combinations of “ratio-stripping” MACR Classes, and you can exchange these MACR Classes for REMIC Classes or for other MACR Classes. In such cases, subject to the constraints listed under *Exchanges* above, numerous subcombinations are possible.

The following illustrates a “ratio-stripping” Combination with a single REMIC Class:

REMIC Certificates				MACR Certificates			
Class	Original Balance	Exchange Proportions	Class Coupon	Class	Maximum Original Balance	Exchange Proportions	Class Coupon
A	\$10,000,000	100%	7.00%	MI	\$10,000,000(notional)	N/A	7.00%
				MA	10,000,000	N/A	6.00
				MB	10,000,000	N/A	6.25
				MC	10,000,000	N/A	6.50
				MD	10,000,000	N/A	6.75
				ME	9,655,172	N/A	7.25
				MF	9,333,333	N/A	7.50
				MG	9,032,258	N/A	7.75
				MH	8,750,000	N/A	8.00
				MP	10,000,000	N/A	0.00

Within this Combination you could, for example, exchange (a) any one of the first four subcombinations of Classes shown in the following table for any other such subcombination or (b) any one of the last three subcombinations shown for any other such subcombination.

<b>Subcombinations</b>				
<u>Subcombination</u>	<u>Class</u>	<u>Original Balance</u>	<u>Class Coupon</u>	<u>Annual Interest Amount</u>
1	A	\$10,000,000	7.00%	\$700,000
2	MI	\$10,000,000(notional)	7.00%	\$700,000
	MP	10,000,000	0.00	0
		<u>\$10,000,000</u>		<u>\$700,000</u>
3	MI	\$ 1,428,571(notional)	7.00%	\$100,000
	MA	10,000,000	6.00	600,000
		<u>\$10,000,000</u>		<u>\$700,000</u>
4	MB	\$ 1,600,000	6.25%	\$100,000
	MH	7,500,000	8.00	600,000
	MP	900,000	0.00	0
		<u>\$10,000,000</u>		<u>\$700,000</u>
5	MF	\$ 5,000,000	7.50%	\$375,000
6	MH	\$ 4,687,500	8.00%	\$375,000
	MP	312,500	0.00	0
		<u>\$ 5,000,000</u>		<u>\$375,000</u>
7	MA	\$ 2,500,000	6.00%	\$150,000
	MB	2,500,000	6.25	156,250
	MI	982,143(notional)	7.00	68,750
		<u>\$ 5,000,000</u>		<u>\$375,000</u>

### **Procedures and Fees**

#### *Notice*

- If you want to exchange Classes, you must notify our Single Family Securitization Multiclass Issuance Group through a dealer that belongs to our REMIC dealer group. The dealer must notify us by telephone (866-903-2767) or by fax (571-382-3817).
- We must receive the notice not later than two business days before the proposed exchange date, which, subject to our approval, can be any business day other than the first or last business day of the month. The notice must include:
  - The outstanding principal or notional principal amount of both the Certificates to be exchanged and the Certificates to be received.
  - The proposed exchange date.
- After we receive a notice, we will telephone the dealer to give instructions for delivering the Certificates and the exchange fee to us by wire transfer.
- Your notice becomes irrevocable on the second business day before the proposed exchange date.

#### *Exchange Fee*

We charge a fee for each exchange. You should contact our Single Family Securitization Multiclass Issuance Group through a dealer that belongs to our REMIC dealer group at (866) 903-2767 for a determination of the exchange fee.



## RETAIL CLASS PRINCIPAL PAYMENTS

The following describes how we make principal payments on most Retail Classes.

### Summary

As Administrator, we have arranged with DTC and the Registrar (which currently is Freddie Mac) to make principal payments on Retail Classes in \$1,000 Retail Class Units. We do this to accommodate retail investors who may not wish to receive their principal payments in amounts smaller than \$1,000 and to give a payment priority to the requesting estates of deceased investors.

We make principal payments on a Retail Class as follows:

- We determine the amount of principal, if any, payable on the entire Retail Class on each Payment Date as described in the related Supplement.
- The Registrar rounds the principal payment to a multiple of \$1,000, using the Retail Rounding Account described in the Supplement, and pays the rounded amount to DTC.
- DTC remits the principal payment for the Retail Class, in multiples of \$1,000, to the applicable DTC Participants. The DTC Participants and other financial intermediaries in turn remit principal payments to investors in the Retail Class, also in multiples of \$1,000.
- Deceased Owners who have properly requested early payment are paid first, to the extent of available principal.
- If more principal is available for payment on the Retail Class than the amount covered by valid requests for early payment, non-requesting investors in that Class receive principal payments in multiples of \$1,000 under random lot procedures.

The rest of this Appendix describes these procedures in more detail.

### Rounding of Principal Payments

On each Payment Date when principal is payable on a Retail Class, the amount payable on that Class is rounded to a multiple of \$1,000. On the first such Payment Date, the Registrar withdraws from the Retail Rounding Account any funds needed to round the principal payment upward to the next multiple of \$1,000 and pays the rounded amount on the Retail Class. On the next such Payment Date, the Registrar applies the principal payable on the Retail Class first to repay any amount withdrawn from the Retail Rounding Account on the previous Payment Date. The Registrar then rounds the remainder of the principal payment upward to the next multiple of \$1,000, by making another withdrawal from the Retail Rounding Account, and pays this amount on the Retail Class. This process continues on each following Payment Date until the Retail Class has been retired.

### Principal Payment Requests and Withdrawals

If you are a Deceased Owner, you may request that any or all of your Units be paid in full on the earliest possible Payment Date. You must submit your request to your broker or other financial intermediary, who must in turn make the request in writing to DTC on a prescribed form. DTC will date and time stamp all requests in accordance with its established procedures and forward the requests to the Registrar. The Registrar will keep a list of DTC Participants that represent Deceased Owners that

have requested Retail Class principal payments, together with the order of receipt and the amounts of the requests. You can get information regarding the number of Retail Class Units for your Class for which requests have been made and the status of your own request by contacting the Registrar at investor\_inquiry@frediema.com.

You may withdraw a request for a Retail Class principal payment by notifying your broker or other financial intermediary, who must in turn forward the notice of withdrawal in writing to the Registrar on a prescribed form. Your request for a Retail Class principal payment will terminate if the Registrar receives notice that you have transferred the related Retail Class Units.

For a request or a notice of withdrawal to be effective for any Payment Date, it must be received by DTC (in the case of a request) or the Registrar (in the case of a withdrawal) by the last business day of the preceding calendar month. Once effective, a request will remain effective for all Payment Dates unless it is withdrawn or terminates.

DTC honors requests for Retail Class principal payments in accordance with the procedures described below. The Registrar will notify DTC and the appropriate DTC Participants which of the requests should be honored on each Payment Date. The decisions of the Registrar and DTC concerning these matters, and any related rules and procedures they establish, will be binding on all affected persons.

### **Principal Payment Allocations**

*Payments to Requesting Deceased Owners.* For any Payment Date, we give priority of payment on a Retail Class to Deceased Owners of that Class who have requested principal payments. DTC honors requests in the following order of priority:

1. Requests of Deceased Owners in the order that DTC received those requests, up to \$100,000 for each requesting Deceased Owner. We sometimes refer to this procedure as the **“Survivor’s Priority.”**

2. Requests of Deceased Owners in the order provided in Step 1, up to a second \$100,000 for each requesting Deceased Owner. DTC will repeat this order of priorities until it has honored all such principal payment requests.

If there is not enough principal available on a given Payment Date to honor all requests, the requests will be honored on following Payment Dates as principal becomes available.

*Payments to Non-Requesting Beneficial Owners.* If the amount of principal available for payments on a Retail Class on a given Payment Date is more than the amount needed to honor all principal payment requests of Deceased Owners, DTC will determine which Retail Class Units owned by non-requesting Deceased Owners and by Living Owners will be paid by using its established random lot procedures. Each DTC Participant receiving principal payments, and each financial intermediary in the chain to the beneficial owners, will remit payments to their customers according to their own procedures, which may or may not be by random lot. A DTC Participant or financial intermediary could decide to allot Retail Class principal payments to certain customers (which could include the DTC Participant or intermediary) without allotting payments to others. You may ask your brokers or other intermediaries what allocation procedures they use.

## **Beneficial Owners**

A **“Deceased Owner”** is the estate of an individual who owned the applicable Retail Class Units at the time of death, provided the executor or other authorized representative of the estate furnishes to DTC evidence of death satisfactory to the Registrar and any tax waivers requested by the Registrar. A **“Living Owner”** is any other beneficial owner of Retail Class Units.

The following rules will apply to determine beneficial ownership in the case of Deceased Owners:

- Retail Class Units beneficially owned by tenants by the entirety, joint tenants or tenants in common will be regarded as beneficially owned by a single owner. The death of a tenant by the entirety, joint tenant or tenant in common will be regarded as the death of the beneficial owner, and the Retail Class Units beneficially owned will become eligible for the principal payment priority described above.
- Retail Class Units beneficially owned by a trust will be regarded as beneficially owned by each beneficiary of the trust to the extent of that beneficiary’s interest in the trust (however, a trust’s beneficiaries collectively cannot be beneficial owners of more Retail Class Units than are owned by the trust). The death of a beneficiary of the trust will be regarded as the death of a beneficial owner of the Retail Class Units beneficially owned by the trust to the extent of that beneficiary’s interest in the trust.
- The death of an individual who was a tenant by the entirety, joint tenant or tenant in common in a tenancy which is the beneficiary of a trust will be regarded as the death of the beneficiary of the trust.
- The death of a person who, during his or her lifetime, was entitled to substantially all of the beneficial interest in a Retail Class Unit will be regarded as the death of the beneficial owner of that Retail Class Unit, regardless of the registration of ownership, if the beneficial ownership interest can be established to the satisfaction of the Registrar. A beneficial ownership interest will exist in many cases of street name or nominee ownership, ownership by a trustee, ownership under the Uniform Gifts to Minors Act and community property or other joint ownership arrangements between spouses. A beneficial ownership interest will be evidenced by such factors as the power to sell or otherwise dispose of a Retail Class Unit, the right to receive the proceeds of sale or disposition and the right to receive interest and principal payments on a Retail Class Unit.

## INTEREST RATE INDICES

As Administrator, we determine the Indices for Floating Rate and Inverse Floating Rate Classes as follows. Our methods for determining Indices are subject to modification as necessary to reflect technological and market changes.

### LIBOR

We calculate the Class Coupons of LIBOR Classes for each Accrual Period (after the first) on the second business day before the Accrual Period begins (an “**Adjustment Date**”). For this purpose, a “business day” is a day on which banks are open for dealing in foreign currency and exchange in London, New York City and Washington, D.C.

We determine LIBOR using the rate, expressed as a percentage per annum, for U.S. dollar deposits of the applicable maturity set by ICE Benchmark Administration Limited (“**ICE**”) as of 11:00 a.m. (London time) on the related Adjustment Date (the “**ICE Method**”). Rates determined by ICE are currently displayed on Bloomberg L.P.’s page “BBAM.” That page, or any other page that may replace BBAM on that service or any other service authorized by ICE to display the rates it determines for deposits in U.S. dollars, is a “**Designated Page.**” Rates determined by ICE are currently rounded to five decimal places. We cannot provide any assurance that there will be no changes to the manner in which the rate is calculated or to data collection methodologies. In addition, we cannot assure you that LIBOR for any distribution date accurately represents the offered rate applicable to loans in U.S. dollars for a stated period between leading European banks or that LIBOR will continue to be widely used as a benchmark interest rate.

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

On July 27, 2017, the FCA announced its intention to cease sustaining LIBOR after 2021. The FCA indicated that it does not intend to sustain LIBOR through using its influence or legal powers beyond that date. It is possible that ICE and the panel banks could continue to produce LIBOR on the current basis after 2021, if they are willing and able to do so, but we cannot assure you that LIBOR will survive in its current form, or at all. In the event ICE ceases to set or publish a rate for LIBOR, we will select an alternative index. If, prior to the time that ICE may cease to set or publish a rate for LIBOR, a new industry standard index is adopted, we may elect, in our sole discretion, to use such standard index in lieu of LIBOR. We may add an adjustment factor to any alternative or new industry standard index as we deem appropriate to better achieve comparability to the current index and other industry practices. We cannot predict the effect of the FCA’s decision not to sustain LIBOR, or, if

changes are ultimately made to LIBOR, the effect of those changes. In addition, we cannot predict what alternative index would be chosen should this occur. If LIBOR in its current form does not survive or if an alternative index is chosen, the market value and/or liquidity of Classes with Class Coupons based on LIBOR could be adversely affected.

## **COFI**

We calculate the Class Coupons of COFI Classes for each Accrual Period (after the first) on the related Adjustment Date (for non-Delay Classes) or on the second business day of the Accrual Period (for Delay Classes), by reference to COFI as published most recently by the Federal Home Loan Bank of San Francisco (the “**FHLB of San Francisco**”). The FHLB of San Francisco currently publishes COFI on or about its last working day of each month. On December 7, 2018, the FHLB of San Francisco announced that it would cease publishing COFI on January 31, 2020. On April 9, 2019, FHFA issued a directive to the Enterprises directing them to engage in joint discussions regarding their respective strategies for selecting and implementing a replacement Index.

COFI is designed to represent the monthly weighted average cost of funds for savings institutions in the Eleventh District (which consists of Arizona, California and Nevada) for the month prior to the month of publication. The FHLB of San Francisco computes COFI for each month by dividing the cost of funds (interest paid during the month by Eleventh District savings institutions on savings, advances and other borrowings) by the average of the total amount of these funds outstanding at the end of that month and the prior month. It then annualizes and adjusts the result to reflect the actual number of days in the particular month. If necessary, the FHLB of San Francisco adjusts the component figures to neutralize the effect of events such as member institutions leaving the Eleventh District or acquiring institutions outside the Eleventh District. COFI has been reported each month since August 1981.

COFI is intended to reflect the interest costs paid on all types of funds held by Eleventh District member savings associations and savings banks. COFI is weighted to reflect the relative amount of each type of funds held at the end of the relevant month. The three major components of funds of Eleventh District member institutions are: (1) savings deposits, (2) Federal Home Loan Bank advances and (3) all other borrowings, such as reverse repurchase agreements and mortgage-backed bonds. Unlike most other interest rate measures, COFI does not necessarily reflect current market rates, since the component funds represent a variety of terms to maturity whose costs may react in different ways to changing conditions. The FHLB of San Francisco periodically prepares percentage breakdowns of the types of funds held by Eleventh District member institutions. You can get these breakdowns from the FHLB of San Francisco.

A number of factors affect the performance of COFI that may cause it to move in a manner different from indices tied to specific interest rates, such as LIBOR or any Treasury Index. Because of the various terms to maturity of the liabilities upon which COFI is based, COFI may not necessarily reflect the average prevailing market interest rates on new liabilities of similar maturities. Also, COFI may not necessarily move in the same direction as market interest rates at all times because, as longer term deposits or borrowings mature and are renewed at prevailing market interest rates, COFI is influenced by the difference between the prior and the new rates on those deposits or borrowings. Because COFI is based on a regional and not a national cost of funds, it may not behave as would a nationally based index. In addition, the movement of COFI, as compared to other indices tied to specific interest rates, may be affected by changes instituted by the FHLB of San Francisco in the method used to calculate COFI.

You can obtain the current level of COFI by calling the FHLB of San Francisco at 415-616-2600 or from its internet website at [www.fhlbsf.com](http://www.fhlbsf.com).

If the FHLB of San Francisco fails to publish COFI for a period of 65 calendar days, we will calculate the Class Coupons of the COFI Classes for subsequent Accrual Periods by using, in place of COFI, any replacement index published or designated by the FHLB of San Francisco. If the FHLB of San Francisco does not publish or designate a replacement index, we will select an alternative index that has performed, or that we expect to perform, in a manner substantially similar to COFI. At the time we first select an alternative index, we will determine the average number of basis points, if any, by which the alternative index differed from COFI for the period we, in our sole discretion, reasonably determine reflects fairly the long-term difference between COFI and the alternative index, and will adjust the alternative index by that average. We will select a particular index as the alternative index only if tax counsel advises us that the alternative index will not cause any affected REMIC Pools to lose their classification as REMICs.

If the FHLB of San Francisco later resumes publication of COFI, we will calculate the Class Coupons of the COFI Classes for each following Accrual Period by reference to COFI.

### **Treasury Index**

We calculate the Class Coupons of Treasury Index Classes for each Accrual Period (after the first) on the fourth business day before the Accrual Period begins (a “**Treasury Index Adjustment Date**”). On each Treasury Index Adjustment Date, we will determine the applicable Treasury Index, which will be either:

- The auction average (investment) yield, expressed as a per annum rate, on three-month or six-month U.S. Treasury bills as made available by the Treasury in the most recent edition of its Public Debt News that is available to us.
- The weekly average yield, expressed as a per annum rate, on U.S. Treasury securities adjusted to a constant maturity of one, three, five, seven, ten or thirty years or to some other constant maturity (as specified in the applicable Supplement) that the Federal Reserve Board publishes in the most recent edition of Federal Reserve Statistical Release No. H.15 (519) that is available to us.

The Treasury releases its Public Debt News on the day of the applicable auction. You can get it by contacting the Treasury’s Bureau of Public Debt or from its internet website at [www.treasury.gov](http://www.treasury.gov). Statistical Release No. H.15 (519) is released on Monday or Tuesday of each week. You can get it from the Publications Department at the Board of Governors of the Federal Reserve System, 21st and C Streets, N.W., M.S. 138, Washington, D.C. 20551 or from its internet website at [www.treasurydirect.gov](http://www.treasurydirect.gov).

We consider a new value for the Treasury Index to have been made available on the day following the date it is released. In the event the applicable Treasury Index is no longer published in the Public Debt News or Federal Reserve Statistical Release No. H.15 (519), or either publication is no longer published, we will designate a new source for obtaining the applicable Treasury Index.

The applicable auction average (investment) yield for a given week is the yield resulting from the auction of three-month or six-month U.S. Treasury bills held that week.



The weekly average yield reflects the average yields of the five calendar days ending on Friday of the previous week. Yields on Treasury securities at “constant maturity” are estimated from the Treasury’s daily yield curve. This curve, which relates the yield on a security to its time to maturity, is based on the closing market bid yields on actively traded Treasury securities in the over-the-counter market. These market yields are calculated from composites of quotations reported by five leading U.S. Government securities dealers to the Federal Reserve Bank of New York. This method permits estimation of the yield for a given maturity even if no security with that exact maturity is outstanding.

If the applicable Treasury Index becomes unavailable, we will designate an alternative index based upon comparable information and methodology. At the time we first select an alternative index, we will determine the average number of basis points, if any, by which the alternative index differed from the applicable Treasury Index for the period we, in our sole discretion, reasonably determine reflects fairly the long-term difference between the applicable Treasury Index and the alternative index, and will adjust the alternative index by that average. We will select a particular index as the alternative index only if tax counsel advises us that the alternative index will not cause any affected REMIC Pools to lose their classification as REMICs.

If the applicable Treasury Index becomes available again, we will calculate the Class Coupons for the related Treasury Index Classes for each following Accrual Period by reference to the applicable Treasury Index.

Notwithstanding the above, we adjust the Class Coupons of Treasury Index Classes backed by adjustable rate GNMA Certificates by reference to the same value for the applicable Treasury Index as is used to adjust the interest rates of the GNMA Certificates.

### **Prime Rate**

On each Adjustment Date, we calculate the Class Coupons of Prime Rate Classes for the next Accrual Period by reference to the rate published as the U.S. “Prime Rate” in the “Money Rates” section or other comparable section of *The Wall Street Journal* on that Adjustment Date. The rate published in *The Wall Street Journal* currently represents the base rate on corporate loans posted by at least 70% of the 10 largest commercial banks in the United States. If *The Wall Street Journal* instead publishes a prime rate range, the average of that range, as determined by us, will be the Prime Rate.

If *The Wall Street Journal* no longer publishes a “Prime Rate” entry, we will designate a new method for determining the Prime Rate based on comparable data. We will select an alternative method only if tax counsel advises us that the method will not cause any affected REMIC Pools to lose their classification as REMICs.

If the Prime Rate becomes available in *The Wall Street Journal* again, we will calculate the Class Coupons for the Prime Rate Classes for each following Accrual Period by reference to the Prime Rate published in *The Wall Street Journal*.

### **SOFR**

We calculate the Class Coupons of SOFR Classes for each Accrual Period (after the first) on the U.S. Government Securities Business Day or days specified in the Supplement before the Accrual Period begins (an “**SOFR Adjustment Date**”). The Supplement will also describe any changes from the description below in the way that SOFR is determined and any adjustments made to SOFR.

SOFR is published by the New York Federal Reserve Bank and is intended to be a broad measure of the cost of borrowing cash overnight collateralized by Treasury securities. The New York Federal Reserve Bank reports that SOFR includes all trades in the Broad General Collateral Rate (as defined on the New York Federal Reserve Bank's Website) plus bilateral Treasury repurchase agreement (repo) transactions cleared through the delivery-versus-payment service offered by the Fixed Income Clearing Corporation (the "FICC"), a subsidiary of the DTC. SOFR is filtered by the New York Federal Reserve Bank to remove a portion of the foregoing transactions considered to be "specials." According to the New York Federal Reserve Bank, "specials" are repos for specific-issue collateral, which take place at cash-lending rates below those for general collateral repos because cash providers are willing to accept a lesser return on their cash in order to obtain a particular security.

The New York Federal Reserve Bank reports that SOFR is calculated as a volume-weighted median of transaction-level tri-party repo data collected from The Bank of New York Mellon as well as general collateral finance repo transaction data and data on bilateral Treasury repo transactions cleared through the FICC's delivery-versus-payment service. The New York Federal Reserve Bank also notes that it obtains information from DTCC Solutions LLC, an affiliate of DTC. The New York Federal Reserve Bank notes on its publication page for SOFR that use of SOFR is subject to important limitations and disclaimers, including that the New York Federal Reserve Bank may alter the methods of calculation, publication schedule, rate revision practices or availability of SOFR at any time without notice.

Because SOFR is published by the New York Federal Reserve Bank based on data received from other sources, we have no control over its determination, calculation or publication. There can be no guarantee that SOFR will not be discontinued or fundamentally altered in a manner that is materially adverse to the interests of investors in SOFR Classes. If the manner in which SOFR is calculated is changed or if SOFR is discontinued, that change or discontinuance may result in a reduction of the amount of interest payable on the SOFR Classes and the trading prices of the SOFR Classes. If SOFR is not published on any SOFR Adjustment Date or on the following U.S. Government Securities Business Day and an alternative rate pursuant to the definition of SOFR has not become effective, the SOFR Classes will bear interest at a rate based on SOFR published on the first preceding U.S. Government Securities Business Day for which such rate was published. This previously published rate would be an overnight rate that would remain in effect until the next SOFR Adjustment Date on which SOFR is published. As such, this rate may not reflect then-current market conditions, or the rate that would apply to investments where interest is set for a longer term. In certain circumstances when SOFR has been discontinued or may not be used and a replacement rate has not been recommended, the SOFR Classes will bear interest at a rate determined by us in our sole discretion. We will select an alternative index only if tax counsel advises us that the alternative index will not cause any affected REMIC pools to lose their classification as REMICs.

These circumstances, as well as general uncertainty regarding the particular interest rate (or the methodology for calculating the interest rate) that will be determined to apply to the SOFR Classes, which may be an interest rate that is materially different from SOFR, may adversely affect the price of the SOFR Classes following the discontinuation of SOFR. If the rate at which interest accrues on any day (meaning SOFR for that SOFR Adjustment Date plus any spread) declines to zero or becomes negative, no interest will be payable on the SOFR Classes in respect of that day.

Because SOFR is a relatively new rate, the SOFR Classes will likely have no established trading market when issued, and an established trading market may never develop or may not be very liquid. Additionally, as an overnight lending rate, SOFR may be subject to increased volatility relative to other interest rate benchmarks. Market terms for securities linked to SOFR, such as the spread over the rate reflected in interest rate provisions, may evolve over time, and trading prices of the SOFR Classes may be lower than those of later-issued SOFR-linked securities as a result. Similarly, if SOFR does not prove to be widely used in securities like the SOFR Classes, the trading price of the SOFR Classes may be lower than those of similar Classes linked to rates that are more widely used. Investors in the SOFR Classes may not be able to sell the SOFR Classes at all or may not be able to sell the SOFR Classes at prices that will provide them with a yield comparable to similar investments that have a developed secondary market, and may consequently suffer from increased pricing volatility and market risk.

The secondary market for, and the market value of, the SOFR Classes will be affected by a number of factors independent of our creditworthiness, including the level and direction of interest rates, the variable rate of interest payable on the SOFR Classes, the anticipated level and potential volatility of SOFR, the method of calculating SOFR, the time remaining to the maturity of the SOFR Classes, the aggregate principal amount of the SOFR Classes and the availability of comparable instruments. The level of SOFR depends on a number of interrelated factors, including economic, financial and political events, over which we have no control.

The following provisions will apply to the calculation of SOFR for the SOFR Classes:

**“SOFR”** means, with respect to any SOFR Adjustment Date:

- (1) the Secured Overnight Financing Rate published on or about 8:00 a.m. (New York time) on the New York Federal Reserve’s Website on such SOFR Adjustment Date; provided that if no Secured Overnight Financing Rate is published on such SOFR Adjustment Date, SOFR will be the Secured Overnight Financing Rate published on the following U.S. Government Securities Business Day, which is currently based on certain repurchase agreement transactions on the U.S. Government Securities Business Day immediately preceding such Adjustment Date (for example, SOFR for the Saturday December 8, 2018 SOFR Adjustment Date, Sunday December 9, 2018 SOFR Adjustment Date and Monday December 10, 2018 SOFR Adjustment Date will be SOFR published on December 10, 2018 for transactions executed on Friday December 7, 2018); except in instances where a corrected SOFR is subsequently republished on New York Federal Reserve’s Website, the corrected SOFR shall be SOFR for such SOFR Adjustment Date; or
- (2) if the Secured Overnight Financing Rate is not published on such SOFR Adjustment Date or on the following U.S. Government Securities Business Day as specified in paragraph (1), unless both a SOFR Index Cessation Event and a SOFR Index Cessation Effective Date have occurred, the Secured Overnight Financing Rate in respect of the first preceding U.S. Government Securities Business Day for which such rate was published on the New York Federal Reserve’s Website; or
- (3) if a SOFR Index Cessation Event and a SOFR Index Cessation Effective Date have occurred,
  - (A) the rate (inclusive of any spreads or adjustments) that was recommended as the replacement for the Secured Overnight Financing Rate by the FRB and/or the New

York Federal Reserve Bank or a committee officially endorsed or convened by the FRB and/or the New York Federal Reserve Bank for the purpose of recommending a replacement for the Secured Overnight Financing Rate (which rate may be produced by a Federal Reserve Bank or other designated administrator); provided that,

(B) if no such rate has been recommended within one U.S. Government Securities Business Day of the SOFR Index Cessation Event, then the replacement rate (which may include any adjustments or spreads) shall be determined by us in our sole discretion.

The following definitions apply to the preceding description of SOFR:

**“FRB”** means the Board of Governors of the Federal Reserve System.

**“New York Federal Reserve’s Website”** means the website of the New York Federal Reserve Bank, currently at <http://www.newyorkfed.org>, or any successor source.

**“SOFR Index Cessation Effective Date”** means in respect of a SOFR Index Cessation Event, the date on which the New York Federal Reserve Bank (or any successor administrator of the Secured Overnight Financing Rate) ceases to publish the Secured Overnight Financing Rate or the date on which the Secured Overnight Financing Rate may no longer be used.

**“SOFR Index Cessation Event”** means the occurrence of one or more of the following events:

- (1) a public statement by the New York Federal Reserve Bank (or a successor administrator of the Secured Overnight Financing Rate) announcing that it has ceased or will cease to provide the Secured Overnight Financing Rate permanently or indefinitely, provided that, at the time of such public statement, there is no successor administrator that will continue to provide the Secured Overnight Financing Rate; or
- (2) the publication of information which reasonably confirms that the New York Federal Reserve Bank (or a successor administrator of the Secured Overnight Financing Rate) has ceased or will cease to provide the Secured Overnight Financing Rate permanently or indefinitely, provided that, at the time of such publication of information, there is no successor administrator that will continue to provide the Secured Overnight Financing Rate; or
- (3) a public statement by a United States regulator or other United States official sector entity prohibiting the use of the Secured Overnight Financing Rate.

**“U.S. Government Securities Business Day”** means any day except for (i) a Saturday, (ii) a Sunday, (iii) a day on which the Securities Industry and Financial Markets Association recommends that the fixed income departments of its members be closed for the entire day for purposes of trading in United States government securities, or (iv) a day on which the New York Federal Reserve Bank is closed for business.

