Freddie Mac

Multifamily Mortgage Participation Certificates

Multifamily Mortgage Participation Certificates

Freddie Mac issues and guarantees Multifamily Mortgage Participation Certificates, or **"PCs."** PCs are securities that represent undivided beneficial ownership interests in, and receive payments from, pools of multifamily residential mortgages that are held in trust for investors.

Freddie Mac's Guarantee

We guarantee the payment of interest and principal on the PCs as described in this Offering Circular. **Principal and interest payments on the PCs 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.

Tax Status and Securities Law Exemptions

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

The PCs may not be suitable investments for you. You should not purchase PCs 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 8 highlights some of these risks.

Offering Circular dated February 22, 2008

If you intend to purchase PCs, you should rely on the information in this Offering Circular, in the disclosure documents that we incorporate by reference in this Offering Circular as stated under *Additional Information* and in the related pool supplement (each, a **"Pool Supplement"**) that we will make available on our internet website as to each PC Pool upon its formation. You can find additional and updated information about our PCs on our internet website at www.freddiemac.com/mbs. We have not authorized anyone to provide you with different information. Any information that may be furnished to you by a third party may not be reliable.

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

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

TABLE OF CONTENTS

FREDDIE MAC

Freddie Mac is a stockholder-owned company chartered by Congress in 1970 under the Federal Home Loan Mortgage Corporation Act (the **"Freddie Mac Act"**) to stabilize the nation's residential mortgage markets and expand opportunities for homeownership and affordable rental housing. We are one of the largest purchasers of mortgage loans in the U.S. We bring innovation and efficiency to the mortgage lending process.

Our mission is to provide liquidity, stability and affordability to the U.S. housing market. We fulfill our mission by purchasing residential mortgages and mortgage-related securities in the secondary mortgage market from mortgage lenders and securities dealers and by providing our credit guarantees of payment of principal and interest on the mortgage-related securities we issue. We purchase mortgages that meet our underwriting and product standards, then bundle them into mortgage-related securities that can be sold to investors. We can use the proceeds to purchase additional mortgages from primary market mortgage lenders, thus providing them with a continuous flow of funds. We also purchase mortgage loans and mortgage-related securities for our investment portfolio, which we finance primarily by issuing a variety of debt instruments in the capital markets.

Though we are chartered by Congress, our business is funded completely with private capital. We are responsible for making payments on our securities. Neither the U.S. government nor any other agency or instrumentality of the U.S. government is obligated to fund our mortgage purchase or financing activities or to guarantee our securities and other obligations.

Our statutory purposes, as stated in our charter, are:

- To provide stability in the secondary market for residential mortgages;
- To respond appropriately to the private capital market;
- To provide ongoing assistance to the secondary market for residential mortgages (including activities related to mortgages on housing for low- and moderate-income families involving a reasonable economic return that may be less than the return received on other activities) by increasing the liquidity of mortgage investments and improving the distribution of investment capital available for residential mortgage financing; and
- To 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.

ADDITIONAL INFORMATION

We prepare annual Information Statements that describe our business and operations and contain our audited financial statements. We also prepare Information Statement Supplements from time to time. As of any given date, this Offering Circular incorporates by reference the most recent Information Statement and any subsequent Information Statement Supplements. You should rely only on the most recent information provided or incorporated by reference in this Offering Circular and any applicable Pool Supplement.

You can obtain copies of this Offering Circular, our most recent Information Statement, any subsequent Information Statement Supplements and the Multifamily PC Master Trust Agreement dated as of February 22, 2008 (as amended from time to time, the **"Trust Agreement"**) and the applicable Pool Supplement under which PCs are issued from:

Freddie Mac — Investor Inquiry
1551 Park Run Drive Mailstop D5B
McLean, Virginia 22102-3110
Telephone: 1-800-336-3672
(571-382-4000 within the Washington, D.C. area)
E-mail: Investor_Inquiry@freddiemac.com

We also make these documents available on our internet website at this address:

http://www.freddiemac.com*

This Offering Circular relates to PCs issued on and after February 22, 2008. For information about PCs 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 PCs. However, under the Trust Agreement, Freddie Mac has agreed to act as Trustee for and, as Administrator, to administer all existing PCs substantially in accordance with the Trust Agreement, as described in this Offering Circular.

* We are providing this internet address solely for the information of prospective investors. We do not intend this internet address to be an active link and we are not using reference to this address to incorporate additional information into this Offering Circular or any Pool Supplement, except as specifically stated in this Offering Circular.

SUMMARY

This summary highlights selected information about the PCs. Before buying PCs, you should read this Offering Circular and the other disclosure documents referred to in *Additional Information*. You should rely on the information in an applicable Pool Supplement as to the PC Pool it describes if it is different from the information in this Offering Circular.

Appendix I shows the page numbers where definitions of capitalized terms appear.

Trustee, Depositor, Administrator and Guarantor . . . . . . Federal Home Loan Mortgage Corporation, or **"Freddie Mac,"** a shareholder-owned government-sponsored enterprise.

PC Pools . . . . As Depositor, we transfer and deposit Mortgages that we have acquired into various trust funds established pursuant to the Trust Agreement and applicable Pool Supplements. As Trustee for these trust funds, we create and issue under the Trust Agreement and related Pool Supplements PCs representing undivided beneficial ownership interests in pools of Mortgages and related assets held by those trust funds (**"PC Pools"**). Investors in PCs own beneficially their pro rata shares of the Mortgages in the related PC Pool.

Types of Mortgages . . . . The assets in each PC Pool include mortgages or participation interests in mortgages that we have acquired (**"Mortgages"**), all proceeds of those Mortgages, amounts on deposit in a custodial account of Mortgage collections from servicers of those Mortgages and the right to receive payments pursuant to our guarantee of those Mortgages. The Mortgages are secured by first or second liens on multifamily residential rental properties and may be either fixed-rate Mortgages or adjustable-rate Mortgages (**"ARMs"**).

A **"Fully Amortizing Mortgage"** provides for level monthly payments of principal and interest based upon an amortization schedule calculated to pay the original balance of the Mortgage in full over the original term to maturity.

An **"Amortizing Balloon Mortgage"** provides for level monthly payments of principal and interest for a term of less than 30 years, based upon an amortization schedule calculated to pay the original balance of the Mortgage in full over a period of up to 30 years, and a balloon payment at maturity.

An **"Interest Only Balloon Mortgage"** provides for payments of interest only during its term and a balloon payment at maturity.

Types of PCs . . . . Each **"Gold PC"** represents an interest in a PC Pool containing fixed-rate Amortizing Balloon Mortgages, Fully Amortizing Mortgages or Interest Only Balloon Mortgages.

Each **"ARM PC"** represents an interest in a PC Pool containing ARMs.

Payments . . . . As Administrator, we pay principal and interest monthly on each Payment Date beginning in (1) the month after issuance for Gold PCs or (2) the second month after issuance for ARM PCs. Payment Dates fall on or about the 15th of each month. Except as provided in the applicable Pool Supplement, our payments on PCs do not include the amounts of any fees, charges or interest in excess of the applicable PC Coupon that may be paid on the underlying Mortgages. These amounts generally are retained by servicers as servicing compensation or retained by us as part of our management and guarantee fees for our services as Administrator and Guarantor.

- **Interest** . . . . We pay interest on each PC at its applicable per annum interest rate (**"PC Coupon"**). Interest payable on a Payment Date accrues during (1) the preceding calendar month for Gold PCs or (2) the second preceding calendar month for ARM PCs.

- **Principal** . . . . We pass through all principal payments made on the Mortgages in a PC Pool. We base the amount of payments on servicers' reports of principal received on the Mortgages and, for Gold PCs, our calculation of scheduled monthly principal payments. Principal payments include full and partial prepayments of principal of Mortgages by borrowers and the principal amount of any Mortgages that are repurchased from PC Pools. The Holders of PCs issued from the same PC Pool receive principal payments on a pro rata basis.

Pool Factors . . . . In any month, you can determine the amount of the principal payment on a PC by reference to the Pool Factor for the related PC Pool. A Pool Factor is an exact decimal truncated to eight places which, when multiplied by the original principal balance of the related PC, equals the remaining principal balance of the PC after giving effect to the principal payment to be made in the same month for Gold PCs or in the following month for ARM PCs. As Administrator, we publish Pool Factors on or about the fifth Business Day of each month.

Guarantee . . . . For Gold PCs, as Guarantor, we guarantee timely payment of interest at the applicable PC Coupon and the timely payment of scheduled principal, whether or not we receive these payments from the servicers of the underlying Mortgages.

For ARM PCs, as Guarantor, we guarantee timely payment of interest at the applicable PC Coupon, whether or not we receive these payments from the servicers of the underlying Mortgages, and the full and final payment of any principal no later than the month following the Final Payment Date. We do not guarantee the timely payment of scheduled principal on ARM PCs.

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

Servicing .... As Administrator, we are responsible for supervising the servicing of the Mortgages. We contract with mortgage servicers that perform most servicing functions for each PC Pool on Freddie Mac's behalf and in accordance with standards that we have established and that we may waive or change from time to time.

Trust Agreement .... As Trustee, we issue PCs from each PC 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 Trustee, Depositor, Administrator and Guarantor.

Proceeds .... Most PCs are issued in exchange for Mortgages, in which case we do not receive cash proceeds. We use the proceeds from the sale of PCs for cash to provide funds for general corporate purposes, including the purchase of additional Mortgages.

Form of PCs .... PCs are issued, held and transferable only on the book-entry system of the Federal Reserve Banks. The Holder of a PC is the entity that appears as such on the records of a Federal Reserve Bank. Only institutions that are members of the Federal Reserve System may be Holders of PCs.

PC Denominations .... The PCs are issued, held and transferable in minimum denominations of $1,000 and in $1 increments above that minimum.

Method of Payment .... A Federal Reserve Bank credits payments on each Payment Date to the accounts of Holders on the Federal Reserve Banks' book-entry system. Each Holder, and each financial intermediary in the chain to the beneficial owners of the PCs, will be responsible for remitting payments to their customers.

No "Clean-up Call" .... We have no "clean-up call" option to redeem or terminate a PC based on its unpaid principal balance falling below a prescribed level.

Tax Status .... We will classify each PC Pool as a grantor trust. As an investor in PCs, you will be treated as the owner of a pro rata undivided interest in the ordinary income and the principal of the related grantor trust, and will be considered the owner of a pro rata undivided interest in each of the underlying Mortgages.

RISK FACTORS

Although we guarantee the payments on PCs, and so bear the associated credit risk of the underlying Mortgages, 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 applicable Pool Supplement and the other documents referred to in *Additional Information* before deciding to purchase PCs. However, neither this Offering Circular nor those other documents describe all the possible risks of an investment in PCs that may result from your particular circumstances, nor do they project how PCs will perform under all possible interest rate and economic scenarios.

PCs may not be suitable investments for you. PCs are complex securities. You, alone or together with your financial advisor, need to understand the risks of your investment, and you need to be able to analyze the information in this Offering Circular, the applicable Pool Supplement and the documents referred to in *Additional Information,* as well as the economic and other factors that may affect your investment. If you require a definite payment stream, or a single payment on a specific date, PCs are not suitable investments for you. If you purchase PCs, you need to have enough financial resources to bear all of the risks related to your investment.

Principal payment rates are uncertain. Principal payment rates on PCs will depend on the rates of principal payments on the underlying Mortgages. Mortgage principal payments include scheduled payments and prepayments. Prepayment rates fluctuate continuously and (in some market conditions) substantially.

We cannot predict the rate of prepayments on the Mortgages, which is influenced by a variety of economic, social and other factors, including local and regional economic conditions, the existence and enforceability of lockout periods and prepayment premiums and the availability of alternative financing. Prepayments are also affected by servicing decisions and policies, such as decisions to pursue alternatives to foreclosure.

Prepayments can reduce your yield. Your yield on a PC will depend on its price, the rate of prepayments on its underlying Mortgages and the actual characteristics of those Mortgages. The Mortgages may be voluntarily prepaid at any time, subject to any applicable lockout period and to the payment of any applicable prepayment premiums. The Mortgages with lockout periods may be voluntarily prepaid at any time outside of the lockout period. The Mortgages also may be prepaid due to defaults, casualties, condemnations and repurchases. The yield on your PC could be lower than you expect if either:

- You buy your PC at a discount to its principal amount and principal payments are slower than you expect.
- You buy your PC at a premium over its principal amount and principal payments are faster than you expect.

Reinvestment of principal payments may produce lower yields. The 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 PC.

Index levels will affect yields of ARM PCs. If you invest in ARM PCs, and the index level used to adjust the interest rates on the underlying Mortgages is lower than you expect, the yield on your investment could be lower than you expect, especially if prepayments are slow. Even if the index level is high but prepayments are fast, your yield could be lower than you expect. ARM interest rate adjustments typically occur less frequently than monthly, and all adjustments have "lookback" periods. As a result, interest rates on the ARMs and the related ARM PCs may not reflect current index levels.

PCs are subject to market and liquidity risks. The market values of your PCs will vary over time, primarily in response to changes in prevailing interest rates. If you sell your PCs when their market values are low, you may experience significant losses. A secondary market for some types of PCs may not develop. Even if a market does develop, it may not be liquid enough to allow you to sell your PCs easily or at your desired price.

You may not be allowed to buy PCs. If you are subject to legal investment laws and regulations or to review by regulatory authorities, you may not be allowed to invest in some types of PCs or in PCs generally.

If you own PCs backed by Mortgages that you transferred to us, your voting and consent rights may be limited. Under certain circumstances, if you transferred Mortgages to us in exchange for cash or PCs, when determining whether Holders of PCs have given any request, demand, authorization, direction, notice, consent or waiver, any PCs beneficially held by you may be disregarded and deemed not to be outstanding or may be otherwise limited in voting rights.

Mortgages underlying PCs may be riskier than single family Mortgages. The Mortgages may present more risk than single family mortgages because, among other things:

- Mortgage repayment depends largely upon the successful operation and management of the related mortgaged property.
- Absence of borrower recourse decreases the likelihood of Mortgage repayment.
- Changes in economic conditions will affect the supply and demand for rental units and rent levels.
- Changes in government regulations may have an adverse effect on future income from the related mortgaged property.

Since the individual Mortgage amounts often are large, one Mortgage is likely to comprise a larger portion of the PC Pool than would one single family mortgage and, therefore, principal prepayments may significantly affect the yield on your PC. We are unable to predict whether or to what extent the above factors actually will occur.

A PC Pool may consist of only a single Mortgage. PCs backed by a single Mortgage present more risk than PCs backed by multiple Mortgages because you may receive early repayment of your entire investment on the PC.

APPLICATION OF PROCEEDS

Most PCs are issued in exchange for Mortgages, in which case we do not receive cash proceeds. We use the net proceeds received from the sale of PCs for cash to provide funds for general corporate purposes, including the purchase and financing of additional Mortgages.

DESCRIPTION OF THE MORTGAGES

General

Mortgages typically are evidenced by mortgage notes secured by mortgages or deeds of trust or other similar security instruments creating first or second liens on multifamily properties containing five or more dwelling units and designed in whole or in part for residential use. Mortgages include both whole loans and participation interests in loans. They may have been originated for the purpose of purchasing, refinancing or rehabilitating the mortgaged properties. The mortgaged properties may include high-rise buildings, garden apartments, townhouse apartments and assisted living or skilled nursing properties. Under certain circumstances, the Mortgages may be secured by dwellings subject to ground or similar leases or to subordinate liens. Borrowers may be individuals, partnerships, limited liability companies, corporations, trusts or other entities, including cooperative corporations or associations.

Mortgages are not guaranteed or insured by the United States or any federal agency or instrumentality. Unless otherwise stated in the applicable Pool Supplement, the Mortgages generally are documented on modified Freddie Mac Uniform Instruments for multifamily mortgages made in the state in which the related mortgaged properties are located.

The types of Mortgages that we typically buy are described under *Summary — Types of Mortgages*. If a PC Pool includes a different type of Mortgage, we will describe it in the applicable Pool Supplement.

Mortgages bear interest at either a fixed or an adjustable interest rate. Most of the Mortgages we purchase are fixed-rate Mortgages with level monthly payments.

ARMs have original or modified terms to maturity of generally up to 30 years with interest rates that adjust periodically at specified intervals over the term of the Mortgage. An ARM has an initial fixed-rate period followed by an adjustable rate period. The adjusted interest rate on an ARM is equal to a fixed margin (the **"Margin"**) plus the value of a specified index (**"Index"**). The adjustment value of the Index is the most recent value available a specified number of days before the adjustment date. This interval is the "lookback" period. ARMs may have some combination of (a) limits on the amounts they can adjust up or down on each adjustment date (adjustment caps), (b) maximum Mortgage Coupons and (c) minimum Mortgage Coupons.

Appendix II shows the most common Indices for the ARMs we purchase, as well as the current sources for various Indices.

Interest on the Mortgages may be payable on the basis of a 360-day year and the actual number of days elapsed in the month for which interest is being calculated (**"Actual/360 Basis"**) or on the basis of a 360-day year, with each month being assumed to have 30 days (**"30/360 Basis"**).

Transfer and Assumption Policies

The Mortgage documents generally permit the transfer of the related mortgaged property, or any interest therein, or the transfer of any material interest in the borrower, if certain conditions are met. Upon any such transfer, the related Mortgage may be assumed at the existing interest rate (the **"Mortgage Coupon"**) for the remaining Mortgage term. Certain Mortgages allow such transfers only upon our consent, in which case we consider various factors in determining whether to permit an assumption of the related Mortgage. For additional information concerning our policies on assumptions, see *— Mortgage Purchase and Servicing Standards — Transfer and Assumption Policies.*

We or the servicer will retain any fees collected in connection with assumptions as compensation for services and will not distribute those fees to Holders. See *— Mortgage Purchase and Servicing Standards — Fees.*

We will provide information regarding any permissible transfers and assumptions in the applicable Pool Supplement.

Prepayment Premium and Lockout Provisions

The Mortgage documents generally allow voluntary prepayment in full at any time, subject to the payment of a prepayment fee (a **"Prepayment Premium"**). The Mortgages also generally require the payment of a Prepayment Premium upon certain default prepayments. Prepayment Premiums may vary significantly among the Mortgages in a PC Pool.

Prepayment Premiums will apply for a period of time specified in the related Pool Supplement (the **"Yield Maintenance Period"**) and generally will be calculated using a formula equal to the greater of (a) one percent of the then outstanding principal balance of the Mortgage or (b) a yield maintenance amount based upon the then current yield of the applicable direct, non-callable and non-prepayable obligations of the United States (**"U.S. Treasury Securities"**). The yield maintenance amount equals (a) the excess, if any, of (i) one-twelfth of the Mortgage Coupon over (ii) the "Assumed Reinvestment Rate," times (b) the "Present Value Factor," times (c) the outstanding principal balance of the Mortgage as of the prepayment date.

The **"Assumed Reinvestment Rate"** or **"ARR"** means one-twelfth of the per annum yield on the U.S. Treasury Securities specified in the related Pool Supplement as reported in *The Wall Street Journal* five business days before the prepayment date; it is expressed as a decimal calculated to five digits. The **"Present Value Factor"** means the factor that discounts to present value the costs due to the difference in interest rates during the months remaining in the Yield Maintenance Period; it is expressed as follows:

$$\frac{1 - \left(\frac{1}{1 + \text{ARR}}\right)^{n}}{\text{ARR}}$$

where **n** is the number of months, and any fraction thereof, remaining between the prepayment date and the end of the Yield Maintenance Period.

If no yield is published on the applicable date for the U.S. Treasury Securities specified in the related Pool Supplement, we may select other U.S. Treasury Securities maturing in the same year as the U.S. Treasury Securities specified in the related Pool Supplement with the lowest yield published in *The Wall Street Journal* as of the applicable date. If *The Wall Street Journal* no longer publishes such yields, we may select a security with a comparable rate and term to the U.S. Treasury Securities specified in the related Pool Supplement. Our selection will be made in our sole discretion and shall be conclusive.

Prepayment Premiums collected from borrowers will be passed through to Holders only to the extent specified in the related Pool Supplement.

Certain Mortgages may contain lockout provisions prohibiting prepayments by borrowers during a portion or all of the Mortgage term. The related Pool Supplement will identify the period of time the lockout applies.

Prepayment Premium and lockout provisions will not apply to:

- The receipt of proceeds from a condemnation or an insured casualty loss of a mortgaged property.
- Our decision to treat, in certain bankruptcy cases, the unsecured portion of a Mortgage as a partial prepayment; see — *Mortgage Purchase and Servicing Standards — Defaults and Delinquencies.*
- Our decision to repurchase and remove a Mortgage from a PC Pool as permitted under Section 1.02 of the Trust Agreement; see — *Mortgage Purchase and Servicing Standards — Prepayments.*

A Prepayment Premium or lockout provision may or may not prevent the borrower from making a Mortgage prepayment. For information concerning how we require servicers to enforce Prepayment Premiums and lockout provisions, see — *Mortgage Purchase and Servicing Standards — Prepayments.*

We will provide information regarding any other permissible Prepayment Premium and lockout provisions in the applicable Pool Supplement.

Subordinate Financing Provision

The Mortgage documents generally permit the borrowers to obtain subordinate financing and use the related mortgaged properties to secure liens junior to the Mortgages, upon our consent and in accordance with our Second Mortgage Purchase Program in effect from time to time. See — *Mortgage Purchase and Servicing Standards — Second Mortgage Purchase Program.*

We will provide information regarding any other permissible subordinate financing in the applicable Pool Supplement.

Defeasance Provision

The Mortgage documents generally permit the borrowers to defease the Mortgages, if certain conditions are met. **"Defeasance"** is the release of a mortgaged property from the lien of a Mortgage in exchange for the pledge of securities as replacement collateral. The securities typically consist of

U.S. Treasury Securities or non-callable and non-prepayable obligations of a government-sponsored enterprise or a federal agency or instrumentality (**"Eligible Securities"**).

We will provide additional information regarding any defeasance option in the applicable Pool Supplement.

Substitution Provision

The Mortgage documents generally permit the borrowers to substitute the related mortgaged properties with one or more comparable multifamily properties, if certain conditions are met. Certain Mortgages also permit the borrowers to substitute the related mortgaged properties with Eligible Securities or other non-real estate instruments under limited circumstances.

We will provide additional information regarding any substitution option in the applicable Pool Supplement.

Mortgage Purchase and Servicing Standards

General

Any Mortgages that we purchase must satisfy the mortgage purchase standards that are contained in the Freddie Mac Act. These standards require us to purchase Mortgages of a quality, type and class that meet generally the purchase standards imposed by private institutional mortgage investors. This means the Mortgages must be readily marketable to institutional mortgage investors.

The Guide

In addition to the standards in the Freddie Mac Act, which we cannot change, we have established our own multifamily mortgage purchase standards, credit, appraisal and underwriting guidelines and servicing policies and procedures. These are in our Multifamily Seller/Servicer Guide (the **"Guide"**). The Guide also contains forms of our mortgage purchase documents.

We may waive or modify our mortgage purchase standards and guidelines and servicing policies and procedures when we purchase any particular Mortgages. We will describe those changes in the applicable Pool Supplement if we think they will materially change the prepayment behavior of the Mortgages. We also reserve the right to change our own mortgage purchase standards, credit, appraisal, underwriting guidelines and servicing policies and procedures at any time. This means that the Mortgages in any PC Pool may not conform at any particular time to all of the provisions of the Guide, our mortgage purchase documents or this Offering Circular.

We summarize below certain aspects of our mortgage purchase and servicing guidelines. This summary, however, is qualified in its entirety by the Guide, any applicable mortgage purchase documents, any applicable servicing agreement and any applicable supplemental disclosure. You may obtain copies of the Guide from us for a fee by contacting our Investor Inquiry Department as shown on page 4.

Mortgage Purchase Standards

We use 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:

- The loan-to-value and debt service coverage ratios of the Mortgage.
- The strength of the market in which the mortgaged property is located.
- The strength of the mortgaged property's operations.
- The physical condition of the mortgaged property.
- The financial strength of the borrower and its principals.
- The management experience and ability of the borrower and its principals or the property manager, as applicable.
- Our evaluation of and experience with the seller.

To the extent allowed by the Freddie Mac Act, we have discretion to determine our mortgage purchase standards and whether the Mortgages we purchase will be securitized or held in our portfolio.

Eligible Sellers, Servicers and Warranties

We acquire Mortgages only from sellers we approve. As Administrator, we are responsible for supervising the servicing of the Mortgages in PC Pools. We contract with mortgage servicers we have approved to perform most servicing functions on our behalf and in accordance with standards that we have established and that we may change from time to time. We approve sellers and servicers of Mortgages based on a number of factors, including their financial condition, operational capability and mortgage origination and servicing experience. The seller or servicer of a Mortgage need not be the originator of that Mortgage.

When we purchase a Mortgage, we rely on the representations and warranties of the seller with respect to certain matters, as is customary in the secondary mortgage market. These representations and warranties cover such matters as:

- The accuracy of the information provided by the borrower.
- The accuracy and completeness of any third party reports prepared by a qualified professional, such as property appraisals and credit reports.
- The validity of each Mortgage as a first or second lien, as applicable.
- The fact that payments on each Mortgage are current at the time of delivery to us.
- The physical condition of the mortgaged property.
- The accuracy of rent schedules.
- The originator's compliance with applicable state and federal laws.

Mortgage Servicing Policies and Procedures

As Administrator, we generally supervise servicing of the Mortgages according to the policies and procedures in the Guide and in accordance with the Trust Agreement. Each servicer is required to perform all services and duties customary to the servicing of multifamily mortgages. These include:

- Collecting and posting payments on the Mortgages.
- Investigating delinquencies and defaults.
- Analyzing and recommending any special borrower requests, such as requests for assumptions, subordinate financing and partial release.
- Submitting monthly electronic remittance reports and annual financial statements obtained from borrowers.
- Administering escrow accounts.
- Inspecting properties.
- Responding to inquiries of mortgagors or government authorities.
- Collecting insurance claims.

Servicers service the Mortgages, either directly or through approved subservicers, and receive fees for their services. We monitor a servicer's performance through periodic and special reports and inspections to ensure it complies with its obligations. A servicer may remit payments to us under various arrangements but these arrangements do not affect the timing of payments to Holders of PCs.

Prepayments

Mortgages generally allow voluntary prepayment in full at any time, subject to the payment of a Prepayment Premium. The Mortgages also generally require the payment of a Prepayment Premium upon certain default prepayments. Prepayment Premiums collected on the Mortgages will be passed through to Holders if so provided in the related Pool Supplement. If the Mortgages contain lockout provisions prohibiting prepayments by borrowers, the related Pool Supplement will identify the period of time the lockout applies. We generally require the servicer to enforce any lockout provisions and to collect any Prepayment Premiums on each Mortgage in the same manner as we enforce lockout periods and collect Prepayment Premiums on comparable multifamily mortgages in our own portfolio. However, certain states limit the amounts that a lender may collect from a borrower as an additional charge if a mortgage is prepaid, and the enforceability of prepayment penalty provisions upon a prepayment is unclear under the laws of many states. In addition, we may waive the collection of Prepayment Premiums or the enforcement of lockout provisions for various reasons, including:

- Efforts to resolve existing or impending defaults or litigation.
- When the benefits resulting from prepayment protection are likely to be substantially offset by the cost or result of enforcement.

Mortgage Repurchases

As Administrator, we will repurchase a Mortgage from a PC Pool, if:

- The Mortgage has been delinquent for 24 months and the Administrator (or its authorized designee or representative) has demanded accelerated payment of principal from the borrower.
- A foreclosure sale occurs.
- The Mortgage has been converted to an REO (real estate owned) property.

As Administrator, we also will repurchase a Mortgage from a PC Pool or (within two years of the issuance of the related PCs) substitute for any Mortgage in a PC Pool a Mortgage of comparable type, unpaid principal balance, remaining term and yield, if:

- A court of competent jurisdiction or a federal government agency duly authorized to oversee or regulate Freddie Mac's mortgage purchase business determines that Freddie Mac's purchase of such Mortgage was unauthorized and Freddie Mac determines that a cure is not practicable without unreasonable effort or expense.
- Such court or government agency requires repurchase of such Mortgage.

As Administrator, we may repurchase a Mortgage, or allow or require the servicer to repurchase a Mortgage from a PC Pool, if a repurchase is necessary or advisable to:

- Maintain servicing of the Mortgage in accordance with the provisions of the Guide.
- Maintain the status of the PC Pool as a grantor trust for federal income tax purposes.

As Administrator, we also may repurchase a Mortgage from a PC Pool, or allow or require the servicer to repurchase a Mortgage from a PC Pool or (within six months of the issuance of the related PCs) substitute for any Mortgage in a PC Pool a Mortgage of comparable type, unpaid principal balance, remaining term and yield, if there is:

- A material breach of warranty by the Mortgage seller or servicer.
- A material defect in documentation as to such Mortgage.
- A failure by a seller or servicer to comply with any requirements or terms set forth in the Guide and, if applicable, other purchase documents.

As Guarantor, we may repurchase a Mortgage from a PC Pool, or allow or require the servicer to repurchase a Mortgage from a PC Pool, if:

- We make payments under our guarantee of full and final payment of principal.
- The Mortgage is in default and we or the Mortgage seller or servicer has demanded accelerated payment of principal from the borrower.
- A bankruptcy court approves a plan that materially affects the terms of the Mortgage or authorizes a transfer or substitution of the underlying property.

In determining whether a Mortgage should be repurchased, we consider various factors, including whether the repurchase will reduce our administrative costs (in the case of the Administrator) or our possible exposure under our guarantee (in the case of the Guarantor) and our statutory and other legal obligations.

We will treat the proceeds of any repurchase in the same manner as if a prepayment of the Mortgage had occurred. However, no Prepayment Premium will be payable in the event of such prepayment.

Second Mortgage Purchase Program

We may purchase second lien mortgages on the same properties on which we have purchased first lien Mortgages that we have securitized. A second mortgage will be cross-defaulted with the corresponding first lien Mortgage. Therefore, an event of default under the second mortgage would also be an event of default under the corresponding first lien Mortgage, and as Administrator we may accelerate and foreclose upon such Mortgage. We will resolve any existing or impending delinquency or other default on a second mortgage in the same manner as we would resolve it on the corresponding first lien Mortgage.

Defaults and Delinquencies

In attempting to resolve an existing or impending delinquency or other Mortgage default, as Administrator, we may take any one of the following measures:

- Approve an assumption of an Mortgage by a new borrower.
- Allow a repayment plan or a forbearance period during which regular Mortgage payments may be reduced or suspended.
- Approve a modification of certain terms of the Mortgage if we determine that the borrower would be able to make all payments under the modified Mortgage terms.
- Pursue a refinancing of the Mortgage or a preforeclosure contract for sale of the underlying property.
- Initiate a foreclosure proceeding.

When considering our options under the particular circumstances, we determine, in accordance with the terms of the Trust Agreement, whether to repurchase a Mortgage from a PC Pool under our guarantees. Repurchasing a Mortgage from its PC Pool has the same effect on Holders as a prepayment. If we determine not to repurchase the Mortgage from its PC Pool, the measures we take may affect the timing of payments of principal to Holders.

As Administrator, we generally demand accelerated payment of principal and initiate foreclosure proceedings with respect to a Mortgage. However, we also continue to pursue alternative measures to resolve the delinquency before the conclusion of the foreclosure proceedings, if such measures appear likely to mitigate our potential losses. If, after demand for acceleration, a borrower repays all delinquent amounts or agrees with us to accept an arrangement for reinstatement of the Mortgage, we may terminate the foreclosure proceedings and withdraw our demand. If the borrower again becomes delinquent, we generally will make a new demand for acceleration and commence new foreclosure proceedings.

The bankruptcy of a borrower on a Mortgage may differ significantly from the bankruptcy of a borrower on a single family mortgage. The underlying multifamily property is often the sole asset of the borrower, if other than an individual. A borrower may commence bankruptcy proceedings involving a multifamily property, for example, when the property value decreases or when the revenues from the property become insufficient to pay debt service and operating expenses.

In certain bankruptcy cases where the borrower owes more on a Mortgage than the current value of the property, some bankruptcy courts have approved a borrower's plan reducing the borrower's obligation under the Mortgage to the current value of the property and treated the remaining amount of the original Mortgage indebtedness as an unsecured obligation. We may treat the unsecured portion of the Mortgage as a partial prepayment and pass through that amount as a guarantee payment as early as the date of the court action.

Prepayment Premium and lockout provisions in a Mortgage will not apply to our decision to treat the unsecured portion of a Mortgage as a partial prepayment.

Our Information Statement and certain Information Statement Supplements provide information regarding our overall delinquency, default and foreclosure experience.

Transfer and Assumption Policies

The Mortgage documents generally allow a new borrower to assume a Mortgage if there is a transfer of the related property, or any interest therein, or a transfer of any material interest in the borrower. Certain Mortgages, however, allow transfers and assumptions only upon our consent. In this case, as Administrator, we will consider factors such as the creditworthiness and management ability of the new borrower and the physical and financial condition of the property in determining whether a Mortgage can be assumed.

The Mortgage will remain in its PC Pool if it is assumed. Otherwise, we will remove the Mortgage from its PC Pool, resulting in a prepayment to Holders.

Fees

We or servicers generally retain fees paid by borrowers, such as late payment fees and review and transfer charges on assumptions. These fees are not passed through to Holders and are treated as additional compensation for services that we and the servicer provide. However, any Prepayment Premiums collected on the Mortgages will be passed through to Holders, if so provided in the related Pool Supplement.

DESCRIPTION OF THE PCs

General

We issue two types of PCs — Gold PCs and ARM PCs. Gold PCs have a payment delay (the delay between the time interest begins to accrue and the time the investor receives an interest payment) of approximately 45 days. ARM PCs have a payment delay of approximately 75 days.

Each PC represents an undivided beneficial ownership interest in the Mortgages contained in its related PC Pool. Once we have deposited an identified Mortgage into a PC Pool, the Mortgage remains in that PC Pool unless it is paid in full, foreclosed upon, repurchased or replaced by a substitute Mortgage. The rate of interest payable to us on the Mortgages in a PC Pool will equal or exceed the PC Coupon of the related PCs, and we retain any difference as compensation for administering the PC Pool and guaranteeing payments on the related PCs. The excess of the interest payable by the borrower on a Mortgage above the interest the servicer remits to us may be retained by the servicer as compensation for servicing the Mortgage or by the seller of the Mortgages as additional compensation.

Pooling Criteria for PC Pools

Some of our general pooling practices for Gold PC Pools or ARM PC Pools are summarized below. Our pooling practices are subject to change. We may also grant exceptions in our sole discretion. If we apply any other criteria to a specific PC Pool, we will describe those differences in a Pool Supplement.

We pool fixed-rate Mortgages separately from ARMs. We pool first lien Mortgages separately from second lien Mortgages.

We also limit the range of Mortgage Coupons in a PC Pool. At the time we form a PC Pool:

- In the case of a Gold PC Pool, the Mortgage Coupon of each Mortgage must be within a range from (a) the related PC Coupon plus any minimum required servicing fee through (b) 250 basis points above the related PC Coupon.

- In the case of an ARM PC Pool, the lowest and highest Margin must be within a range not exceeding 200 basis points.

The minimum PC Pool size is $1,000,000 at the time the PC Pool is formed. We may change these minimum PC Pool sizes at any time.

Pool Factors and Monthly Reporting Periods

Pool Factors

As Administrator, we calculate and make available each month, including on our internet website and through approved vendors, the Pool Factor for each PC Pool. The **"Pool Factor"** for any month is based on reports we receive from servicers, and is a truncated eight-digit decimal which, when multiplied by the original principal amount of the related PC Pool, will equal the remaining principal amount of the PC. The Pool Factor for any month reflects the remaining principal amount after the payment to be made on the Payment Date:

- In the same month, for Gold PCs.

- In the following month, for ARM PCs.

Currently, we make Pool Factors available on or about the fifth Business Day of each month for both Gold PCs and ARM PCs.

The Pool Factor for a PC Pool for the month of formation is always 1.00000000 and is not published. We have the right to change when the Pool Factors will be available and how we calculate them. We make payments on all PCs based on their applicable Pool Factors.

Use of Factors

For any Payment Date, you can calculate the principal payment on a PC by multiplying its original principal amount by:

- The difference between its Pool Factors for the preceding and current months, in the case of a Gold PC.
- The difference between its Pool Factors for the two preceding months, in the case of an ARM PC.

We have the right to make payments on any PC based on its applicable Pool Factors.

Monthly Reporting Periods

Each month, servicers report to us payments, including all prepayments, on the Mortgages in a PC Pool for the applicable one-month reporting period (a **"Monthly Reporting Period"**). For any Payment Date, the applicable Monthly Reporting Period generally is:

- The calendar month preceding that Payment Date, for Gold PCs.
- The second calendar month preceding that Payment Date, for ARM PCs.

As Administrator, we have the right to change the Monthly Reporting Period for any PCs as provided in the Trust Agreement. We also have the right to modify our procedures for passing through full or partial prepayments to Holders. For example, we may include, as part of the aggregate principal payment for each month, prepayments reported to us after the end of the related Monthly Reporting Period and before the publication of the applicable Pool Factor. In that case, the applicable Pool Factor would reflect any of these prepayments.

Payment Dates

As Administrator, we make payments to the Holders of PCs on each Payment Date beginning in:

- The month after issuance, for a Gold PC.
- The second month after issuance, for an ARM PC.

The **"Payment Date"** is the 15th of each month or, if the 15th is not a Business Day, the next Business Day. For this purpose, **"Business Day"** means a day other than:

- A Saturday or Sunday.
- A day when the Federal Reserve Bank of New York (or other agent acting as our fiscal agent) is closed or, as to any Holder, a day when the Federal Reserve Bank that maintains the Holder's account is closed.

Payments of Principal

General

We pay principal, if any, to the Holders of PCs on each applicable Payment Date. The principal balance of a PC Pool sometimes varies from the aggregate principal balance of the underlying Mortgages due to delays or errors in processing mortgage information, such as a servicer's failure to file an accurate or timely report of its collections of principal or its having filed a report that cannot be processed. We will account for any differences as soon as practicable by adjusting subsequent Pool Factors. We have the right to modify our procedures for passing through full or partial prepayments of principal to Holders.

Calculation of Principal Payments for Gold PCs

The aggregate principal payment in any month on any Gold PC reflects:

- The scheduled principal payments due on the Mortgages in the related PC Pool for the current calendar month.
- Prepayments on those Mortgages as reported by servicers for the preceding Monthly Reporting Period and the principal amount of any Mortgage repurchased during the preceding Monthly Reporting Period, as well as any such prepayments and principal reported on the first Business Day of the calendar month following such Monthly Reporting Period.
- Any adjustments necessary to reconcile the principal balance of the PC Pool with the aggregate balance of the related Mortgages reported to us by servicers.

We calculate the scheduled principal due on the related Mortgages based upon:

- The principal balance of each Mortgage in the PC Pool (adjusted for any prepayments and any principal amounts previously passed through pursuant to our guarantee).
- The Mortgage Coupon of each Mortgage and the scheduled monthly principal and interest payment applicable to that Mortgage at the time of formation of the PC Pool.

Our calculation of scheduled principal may not reflect actual payments on the Mortgages. We will account for any differences as soon as practicable by adjusting subsequent Pool Factors.

Calculation of Principal Payments for ARM PCs

The principal payment in any month on an ARM PC reflects any principal payments on the related Mortgages, including scheduled principal payments and prepayments, reported by servicers for the Monthly Reporting Period that ended in the second preceding month. We do not calculate principal payments for ARM PCs in the absence of reports from servicers, nor do we adjust the related Pool Factor. Rather, we reconcile any differences between actual payments on the Mortgages and principal payments on the ARM PCs as soon as practicable by adjusting subsequent Pool Factors.

Payments of Interest

General

Interest will accrue on each PC during each Accrual Period at the applicable PC Coupon. In the case of a Gold PC, the PC Coupon is set at the time of issuance and does not change. In the case of an ARM PC, the PC Coupon adjusts periodically based on the weighted average of the interest rates of the underlying ARMs.

Unless otherwise stated in the related Pool Supplement, we compute interest on a 30/360 Basis, whether or not interest on the underlying Mortgages is payable on a 30/360 Basis. If interest on the underlying Mortgages is payable on an Actual/360 Basis, we will adjust the interest allocation for each monthly Mortgage payment in order to conform the interest allocation on the Mortgages as closely as practicable to interest payments on the PCs. Any difference resulting from this adjustment will be minimal. Absent clear error, our adjustment to the interest allocation will be final and binding.

Interest accrues on the principal amount of a PC as determined by its Pool Factor for:

- The month preceding the month of the Payment Date, for Gold PCs.
- The second month preceding the month of the Payment Date, for ARM PCs.

The **"Accrual Period"** relating to any Payment Date is:

- The calendar month preceding the month of the Payment Date for Gold PCs.
- The second calendar month preceding the month of the Payment Date, for ARM PCs.

Calculation of ARM PC Coupon

The PC Coupon of an ARM PC adjusts as of the first day of each Accrual Period and equals the weighted average of the underlying Mortgage Coupons, less the servicing fee, the management and guarantee fee and any amounts retained by the seller or servicer as additional compensation. The PC Coupon of an ARM PC is an exact decimal truncated to three places. It is recalculated monthly to reflect changes in the unpaid principal balance of the related Mortgages and adjustments to the Mortgage Coupons of the related Mortgages, unless otherwise provided in the applicable Pool Supplement. *Appendix II* shows the Indices most often used to adjust ARMs and ARM PCs.

There is no limit on the amount of permissible monthly adjustments to the PC Coupons on ARM PCs, although the related Mortgages may have an adjustment cap that limits the permissible amount that the Mortgage Coupon may adjust on its regular adjustment date. There is no minimum or maximum PC Coupon, although each related Mortgage may have a minimum or maximum Mortgage Coupon. The Mortgage Coupons of each of the Mortgages in a PC Pool may have regular adjustment dates, each in a different month, and accordingly some, all or none of the Mortgages in a PC Pool may adjust on a given date. As a result, the PC Coupon of an ARM PC may not fully reflect recent changes in the value of the applicable Index. In addition, disproportionate principal payments on the underlying Mortgages will affect the PC Coupon of an ARM PC. The applicable Pool Supplement will specify any applicable limits on the permissible adjustments to the Mortgage Coupons on the Mortgages comprising an ARM PC Pool.

You can obtain the PC Coupons for ARM PCs for the current Accrual Period on our internet website or from our Investor Inquiry Department as shown on page 4. Absent clear error, our determination of the applicable Index levels and our calculation of the PC Coupon for each Accrual Period will be final and binding.

Record Dates

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

- The preceding month, for Gold PCs.
- The second preceding month, for ARM PCs.

Final Payment Date

The **"Final Payment Date"** of a PC is the first day of the latest month in which we will reduce the related Pool Factor to zero. The actual final payment on any PC will be made on a regular Payment Date, not on the first day of a month. The final payment on any PC could occur significantly earlier than the month of its Final Payment Date.

Guarantees

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

- The timely payment of interest at the applicable PC Coupon.
- In the case of Gold PCs only, the timely payment of scheduled principal on the underlying Mortgages.
- The full and final payment of principal on the underlying Mortgages by the Payment Date that falls (a) in the month of its Final Payment Date, for a Gold PC or (b) in the month after its Final Payment Date, for an ARM PC.

We do not guarantee the payment of any Prepayment Premiums on the Mortgages.

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

PC Pool Expenses

Generally, as Administrator, we do not seek reimbursement from a PC Pool for any expenses we may incur in connection with that PC Pool. However, certain amounts expended by us, as Administrator, or a servicer for the protection or maintenance of Mortgages or related property may be borne on a pro rata basis by us and the Holders of the related PCs. As Administrator, we may pay such expenses from amounts otherwise due to the Holders, which may affect the timing of receipt of payments by the Holders. However, these expenses will not affect our guarantee or the Holders' right to receive all principal and interest due on their PCs.

Compensation of Servicers and Freddie Mac

We or our servicers generally retain payments of interest on Mortgages in a PC Pool that exceed the PC Coupon for that PC Pool, as well as certain fees and charges paid by borrowers, such as late payment fees and review and transfer charges on assumptions. These amounts are not passed through to Holders. The amounts we retain are treated as management and guarantee fees for our services as Administrator and Guarantor under the Trust Agreement and related Pool Supplement, and the amounts retained by servicers are treated as servicing fees.

Pool Supplements

As Administrator, we make available on our internet website a Pool Supplement for each PC Pool when it is formed. The Pool Supplement identifies on a pool-level basis the features of the Mortgages in the related PC Pool and sets forth data concerning that PC Pool.

If information in a Pool Supplement is inconsistent with information in this Offering Circular, you should rely on the information in the Pool Supplement as to the PC Pool it describes. We may change our practices relating to Pool Supplements at any time.

Form of PCs, Holders and Payment Procedures

Form

PCs are issued, held and transferable only on the book-entry system of the Federal Reserve Banks. This means PCs are not represented by certificates. The Department of Housing and Urban Development's regulations governing our book-entry securities (24 C.F.R. Part 81, Subpart H) and any procedures that we and a Federal Reserve Bank may adopt apply to the issuance and recordation of, and transfers of interests (including security interests) in, the PCs. Holders' individual accounts are governed by operating circulars and letters of the Federal Reserve Banks.

Each issue of PCs is identified by a unique nine-character designation, known as a **"CUSIP Number."** The CUSIP Number is used to identify each issue of PCs on the books and records of the Federal Reserve Banks' book-entry system.

Holders

The term **"Holder"** means any entity that appears on the records of a Federal Reserve Bank as a holder of particular PCs. Only banks and other entities eligible to maintain book-entry accounts with a Federal Reserve Bank may be Holders of PCs. Investors who beneficially own PCs typically are not the Holders of those PCs. Investors ordinarily will hold PCs through one or more financial intermediaries, such as banks, brokerage firms and securities clearing organizations. For example, as an investor, you may hold a PC through a brokerage firm which, in turn, holds through an entity eligible to maintain accounts with a Federal Reserve Bank. In that case, you would be the beneficial owner and that eligible entity would be the Holder.

A Holder that is not also the beneficial owner of a PC, 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. Neither we nor any Federal Reserve Bank will have a direct obligation to a beneficial owner of a PC that is not also the Holder.

The Federal Reserve Banks and we may treat the Holder as the absolute owner of a PC for the purpose of receiving payments and for all other purposes, regardless of any notice to the contrary. If you are not a Holder yourself, you may exercise your rights only through the Holder of your PCs.

Denominations

Holders must hold and transfer their PCs in minimum original principal amounts of $1,000 and additional increments of $1. A Holder may not transfer a PC if, as a result of the transfer, the Holder would have remaining in its account PCs of the same issue having an original principal amount of less than $1,000. A Holder of PCs will also have to comply with any Federal Reserve Bank minimum wire transfer requirements.

Payment Procedures

Federal Reserve Banks credit payments on PCs to the appropriate Holders' accounts. Each Holder and each other financial intermediary will be responsible for remitting payments to the beneficial owners of the PCs that it represents. If a principal or interest payment error occurs, we may correct it by adjusting payments to be made on future Payment Dates or in any other manner we consider appropriate.

PREPAYMENT, YIELD AND SUITABILITY CONSIDERATIONS

Prepayments

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

- Prepayments by the borrower.
- Liquidations resulting from default, casualty or condemnation.
- Payments we make, as Guarantor, under our guarantee of principal, other than payments of scheduled principal.
- Payments of principal on insurance claims by Mortgage insurers.
- Prepayments resulting from the repurchase of Mortgages from a PC Pool due to default, delinquency, inaccurate representations and warranties made by sellers or other factors.

Unless otherwise specified in the applicable Pool Supplement, the Mortgages may be voluntarily prepaid in full at any time, subject to any applicable Prepayment Premiums or lockout periods.

Mortgage prepayment rates are likely to fluctuate significantly over time. Prepayment rates are influenced by many factors, which may exist in multiple combinations, including:

- The age, principal amount, geographic distribution and payment terms of the Mortgages.
- The remaining depreciable lives of the underlying properties.
- The physical condition of the underlying properties (including the presence of any hazardous substances or other environmental problems).
- Any applicable tax laws (including depreciation benefits) in effect from time to time.
- Characteristics of the borrowers (such as credit status and management ability) and their equity positions in the underlying properties.

- Any partial or full guarantees by borrower affiliates.
- Changes in local industry and population migration and relocation as they affect the supply and demand for rental units and rent levels.
- Prevailing rent levels (as may be limited by any applicable rent control or stabilization laws) affecting cash flows from the underlying properties.
- Levels of current mortgage interest rates and borrower refinancing activities.
- Activity of lenders in soliciting refinancing, including refinancing without significant transaction costs by the borrower.
- Attractiveness of other investment alternatives.
- The existence of Prepayment Premiums or lockout provisions.
- Certain state laws limiting the enforceability of lockout periods and the collection of Prepayment Premiums.
- In the case of ARMs, fluctuations in the reference Index values and the extent of periodic adjustments to the Mortgage Coupon.
- Repurchases of Mortgages from PC Pools due to breaches of representations and warranties by sellers of the Mortgages.
- Repurchases of Mortgages from PC Pools when the terms of those Mortgages are modified as a result of default or imminent default by the borrower.
- The size of the PC Pool; the prepayment behavior of relatively small PC Pools is likely to be less consistent and less predictable than the prepayment behavior of larger PC Pools.

The characteristics of particular Mortgages may also influence their prepayment rates. For example, ARMs tend to have higher default rates than fixed-rate Mortgages. Also, different types of Mortgages may be affected differently by the same factor, and some factors may affect prepayment behavior on only some types of Mortgages. For example, second lien mortgages may be more sensitive than first lien Mortgages to the general cost of credit to borrowers.

The rate of defaults and resulting repurchases of the Mortgages in a PC Pool will also affect the prepayment behavior of that PC Pool. Defaults may increase if the Mortgages in a PC Pool are cross-collateralized and cross-defaulted, during periods of declining property values or as a result of other factors that decrease borrowers' equity.

In addition, mortgage servicing decisions, including seeking alternatives to foreclosure, may impact the prepayment behavior of particular PC Pools. In approving alternatives to foreclosure and in determining whether or when Mortgages should, or must, be repurchased from a PC Pool, we consider a variety of factors, including whether such steps will reduce our administrative costs or increase our possible exposure under our guarantee.

The factors affecting the prepayment behavior of the Mortgages differ in certain respects from those affecting the prepayment behavior of single family mortgages. A borrower typically views multifamily properties solely as an investment and, therefore, economic rather than personal considerations primarily will affect the prepayment behavior of the Mortgages. Also, individual

Mortgage amounts often are large and one Mortgage is likely to comprise a larger portion of the PC Pool than would be the case with a pool of single family mortgages. Therefore, principal prepayments may significantly affect the yield on the PCs. Similarly, the prepayment behavior of a PC Pool containing only one or a small number of Mortgages is likely to be more volatile than the prepayment behavior of a PC Pool containing a large number of Mortgages, because a prepayment on a single Mortgage may result in the payment to Holders of all or a substantial portion of the principal amount of the PC Pool.

We cannot make any representation regarding the likely prepayment experience of the Mortgages underlying any PC or the particular effect that any factor may have on Mortgage prepayment behavior. For example, although we may expect Mortgages with higher Prepayment Premiums to prepay less frequently than Mortgages with lower or no Prepayment Premiums, Prepayment Premium provisions may or may not effectively deter prepayments. Similarly, lockout provisions may or may not prevent prepayments.

Yields

General

In general, your yield on any PCs will depend on several variables, including:

- The price you paid for the PCs.
- The PC Coupon for your PCs.
- The rate of principal prepayments on the underlying Mortgages.
- The actual characteristics of the underlying Mortgages.
- The payment delay of your PCs.
- In the case of ARM PCs, the values of the applicable Index.
- In the case of ARM PCs, the effect of any periodic interest rate and payment adjustments (and any minimum or maximum Mortgage Coupons) on the underlying ARMs.
- Whether Prepayment Premiums are passed through to investors.

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

- If you purchase a PC at a discount to its principal amount and the rate of principal payments on the underlying Mortgages is slower than you expect, you will receive payments over a longer period than you expect, so the yield on your investment will be lower than you expect.
- If you purchase a PC at a premium over its principal amount and the rate of principal payments on the underlying Mortgages is faster than you expect, you will receive payments over a shorter period than you expect, so the yield on your investment will be lower than you expect.
- In general, the rate of Mortgage prepayments early in your investment has the greatest effect on your yield to maturity. As a result, a negative effect on your yield produced by principal prepayments at a higher (or lower) rate than you expect in the period

immediately following your purchase of a PC 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.
- In a high interest rate environment, Mortgages tend to prepay more slowly. When this happens, you may not receive principal payments, which could otherwise be reinvested in comparable securities at a higher yield, as quickly as you expect.

Yields of ARM PCs

If you invest in ARM PCs, you should consider the following additional risks:

- If the Index levels used to adjust the interest rates of underlying ARMs are lower than you expect, the yield on your investment could be lower than you expect.
- PC Coupons for ARM PCs generally adjust monthly based on a weighted average of the interest rates on the underlying Mortgages. Several factors will affect these PC Coupons:
  - Disproportionate principal payments, including prepayments, on the underlying Mortgages that have relatively low and high interest rates compared to the other Mortgages in the same pool will affect the level of the PC Coupon for the related ARM PCs, even if the interest rates on the remaining Mortgages do not change.
  - The PC Coupon on your ARM PCs may not fully reflect current interest rates or Index values because the underlying Mortgage interest rates may adjust on various dates and at various intervals and typically adjust less frequently than monthly. Moreover, the interest rates of the underlying Mortgages typically adjust based on the Index value published some time before such adjustment (the lookback period), and there may be a gap of several months from the publication of an applicable Index value until the PC Coupon reflects the adjusted value.
  - Although there are generally no limits on the monthly PC Coupon adjustments for ARM PCs, interest rates on the underlying ARMs may be subject to adjustment caps and lifetime floors. As a result of these limitations, the PC Coupon on an ARM PC at any time may not reflect the applicable Index value or changes in that value from period to period.
- When mortgage interest rates are generally low, which usually results in faster prepayments, the applicable Index value may be relatively high. On the other hand, when mortgage interest rates are generally high, which usually results in slower prepayments, the applicable Index value could be relatively low. Either of these scenarios could result in a lower than expected yield on the ARM PCs. In addition, depending on how frequently the underlying ARMs adjust and the existence of any adjustment caps, in an increasing interest rate environment, the rate of default could increase, which could reduce the yield on your ARM PCs.

- The value of an Index will generally change from time to time. Even if the average value of an Index is consistent with your expectations, 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 fully offset by an equivalent reduction (or increase) in that value in later periods.
- If the Index values used to adjust the interest rates of underlying ARMs are lower than you expect, the yield on your investment could be lower than you expect, especially if prepayments are slow. Even if the Index value is higher than you expect, but prepayments are fast, your yield could be lower than you expect.
- The CMT Index and LIBOR tend to reflect current market rates, and their values may be more volatile than the value of COFI or other Indices which reflect averages of rates in effect over longer periods of time.

Payment Delay

The effective yield on any PC will be less than the yield that its PC Coupon and purchase price would otherwise produce, because:

- On its first Payment Date, 30 days' interest will be payable on the PC even though interest began to accrue approximately 45 days earlier, in the case of Gold PCs, or 75 days earlier, in the case of ARM PCs.
- On each Payment Date after the first Payment Date, the interest payable on the PC will accrue during its Accrual Period, which will end approximately 15 or 45 days before that Payment Date for Gold PCs and ARM PCs, respectively.

Suitability

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

- PCs are not appropriate investments if you require a single lump sum payment on a date certain, or if you require an otherwise definite payment stream.
- A market may not develop for the sale of some types of PCs after their initial issuance. Even if a market develops, it may not continue. As a result, you may not be able to sell your PCs easily or at prices that will allow you to realize your desired yield.
- The market values of your PCs 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 some PCs 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 PCs, especially those that are particularly sensitive to prepayment or interest rate risk.
- PCs are complex securities. Before investing in a PC, you should be able, either alone or with a financial advisor, to evaluate the information contained and incorporated in this

Offering Circular and in any related Pool 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 PCs that may result from your particular circumstances, nor does it project how PCs will perform under all possible interest rate and economic scenarios. You should purchase PCs only if you, alone or together with your financial advisor, understand the prepayment, yield, liquidity and market risks associated with your investment under a variety of interest rate and economic scenarios and you have sufficient financial resources to bear all the risks related to your PCs.

THE TRUST AGREEMENT

Under the Multifamily PC Master Trust Agreement dated as of February 22, 2008, as amended from time to time, as Depositor, we will transfer and deposit Mortgages that we have acquired into various trust funds. As Trustee, we create and issue PCs under the Trust Agreement and related Pool Supplements. The following summary describes various provisions of the Trust Agreement. This summary is not complete. You should refer to the Trust Agreement for a complete description of your rights and obligations and our rights and obligations. You can obtain copies of the Trust Agreement from our internet website or by contacting our Investor Inquiry Department as shown on page 4. Your receipt and acceptance of a PC, without any signature or further manifestation of assent, constitutes your unconditional acceptance of all the terms of the Trust Agreement.

Transfer of Mortgages to PC Pool

The Mortgages deposited in each PC Pool will be identified to that PC Pool in our corporate records. As Administrator, we will hold the Mortgages, directly or through a custodian acting as our agent or through the seller or servicer of Mortgages, for the benefit of each PC Pool and the Holders of the related PCs, subject to policies and procedures that we may adopt, modify and waive from time to time.

Repurchase and Substitution of Mortgages

Once we have deposited identified Mortgages in a PC Pool, Mortgages will not be removed from or added to that PC Pool unless an insurer exercises an option to purchase an insured Mortgage or there is a repurchase or substitution in one of the situations described below. We will make any repurchase or substitution in accordance with applicable laws in effect at the time of repurchase or substitution. Each repurchase will be treated as a prepayment in full of the Mortgage being repurchased and the entire principal amount of that Mortgage will be passed through to Holders of the related PCs on the appropriate Payment Date. Substitutions of Mortgages rarely occur.

Repurchases or substitutions may occur in the following situations:

As Administrator, we will repurchase a Mortgage from a PC Pool, if:

- The Mortgage has been delinquent for 24 months and the Administrator (or its authorized designee or representative) has demanded accelerated payment of principal from the borrower.

- A foreclosure sale occurs.
- The Mortgage has been converted to an REO (real estate owned) property.

As Administrator, we also will repurchase a Mortgage from a PC Pool or (within two years of the issuance of the related PCs) substitute for any Mortgage in a PC Pool a Mortgage of comparable type, unpaid principal balance, remaining term and yield, if:

- A court of competent jurisdiction or a federal government agency duly authorized to oversee or regulate Freddie Mac's mortgage purchase business determines that Freddie Mac's purchase of such Mortgage was unauthorized and Freddie Mac determines that a cure is not practicable without unreasonable effort or expense.
- Such court or government agency requires repurchase of such Mortgage.

As Administrator, we may repurchase a Mortgage, or allow or require the servicer to repurchase a Mortgage from a PC Pool, if a repurchase is necessary or advisable to:

- Maintain servicing of the Mortgage in accordance with the provisions of the Guide.
- Maintain the status of the PC Pool as a grantor trust for federal income tax purposes.

As Administrator, we also may repurchase a Mortgage from a PC Pool, or allow or require the servicer to repurchase a Mortgage from a PC Pool or (within six months of the issuance of the related PCs) substitute for any Mortgage in a PC Pool a Mortgage of comparable type, unpaid principal balance, remaining term and yield, if there is:

- A material breach of warranty by the Mortgage seller or servicer.
- A material defect in documentation as to such Mortgage.
- A failure by a seller or servicer to comply with any requirements or terms set forth in the Guide and, if applicable, other purchase documents.

As Guarantor, we may repurchase a Mortgage from a PC Pool, or allow or require the servicer to repurchase a Mortgage from a PC Pool, if:

- We make payments under our guarantee of full and final payment of principal.
- The Mortgage is in default and we or the Mortgage seller or servicer has demanded accelerated payment of principal from the borrower.
- A bankruptcy court approves a plan that materially affects the terms of the Mortgage or authorizes a transfer or substitution of the underlying property.

Any repurchase of a Mortgage by a seller or servicer will be at its then unpaid principal balance, less any principal on the Mortgage that the seller or servicer has advanced to the Administrator. The Administrator's or the Guarantor's repurchase of any Mortgage will be at its then unpaid principal balance, less any outstanding advances of principal on the Mortgage that the Administrator, on behalf of the Trustee, has paid to Holders.

Collection and Other Servicing Procedures

We are responsible as the Administrator under the Trust Agreement for certain servicing duties. Our duties include entering into contracts with servicers to service the Mortgages, supervising and monitoring the servicers, ensuring the performance of certain functions if the servicer fails to do so, establishing certain procedures and records for each PC Pool, and taking additional actions as set forth in the Trust Agreement. The servicers collect payments from borrowers, make servicing advances, foreclose upon defaulted mortgage loans, and take other actions as set forth in the Trust Agreement. Our servicers may contract with subservicers to perform some or all of the servicing activities.

As Administrator, we hold principal and interest collected from our servicers 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 PCs. 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 PC Pools and for other Freddie Mac mortgage securities (and temporarily with other collections on Mortgages) and are not separated on a PC Pool by PC 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 the Trust Agreement and the Pool Supplements. We may resign from our duties as Trustee upon providing 90 days' advance 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 PC Pool for actions we take in our capacity as Trustee in connection with the administration of that PC Pool. Officers, directors, employees and agents of the Trustee are also indemnified by each PC Pool with respect to that PC Pool. Nevertheless, neither we nor they will be protected against any liability if it results from willful misfeasance, bad faith or gross negligence. The Trustee is not liable for consequential damages.

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

Events of Default

"Events of Default" under the Trust Agreement are:

- Our failure, as Guarantor or Administrator, to pay principal or interest that lasts for 30 days.
- Our failure to perform, as Guarantor or Administrator, in any material way any other obligation under the Trust Agreement, if the failure lasts for 60 days after we receive notice from the Holders of at least 65% of the outstanding principal amount of any affected PC Pool.
- Specified events of bankruptcy, insolvency or similar proceedings involving us (but not including the appointment of a conservator or similar official for us).

Rights upon Event of Default

If an Event of Default under the Trust Agreement is not remedied, the Holders of a majority of the outstanding principal amount of any affected PC Pool may remove us as Administrator and nominate a successor as to that PC Pool. That nominee will replace us as Administrator unless we object within ten days after the nomination. In that event, either we or anyone who has been a bona fide Holder of an affected PC for at least six months may ask a court to appoint a successor. The court may then appoint our successor as Administrator. Any such removal will not affect our guarantee obligations.

In addition, we may be removed as Trustee if an Event of Default has occurred with respect to a PC Pool. In that case, we can be removed and replaced by a successor trustee as to an affected PC Pool by Holders owning a majority of the voting rights of that PC Pool.

For these purposes, PCs held by Freddie Mac will be disregarded.

If we were to experience significant financial difficulties and the Director of the Office of Federal Housing Enterprise Oversight, our federal safety and soundness regulator, were to appoint a conservator, we believe, based on an opinion of counsel analyzing various provisions in the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 and other relevant law, that the proportional undivided interests of Holders in the related Mortgages would be preserved and borrowers' payments and other recoveries on those Mortgages would continue to be passed through to the Holders. Payments due to Holders pursuant to our guarantees could be made only from our general funds to the extent and so long as they were available. If we were unable to meet our guarantee obligations, the primary sources of funds available to investors would be payments by Mortgage borrowers and recoveries on the Mortgages. In that case, payments to Holders could be adversely affected by loan delinquencies and defaults.

Control by Holders and Voting Rights

Except in limited circumstances following an Event of Default, no Holder of a PC has any right to vote or to otherwise control in any manner the management and operation of any PC Pool. In addition, Holders of PCs may institute legal actions and proceedings with respect to the Trust Agreement, the Mortgages or the PCs 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.

In determining whether Holders of the requisite amount of PCs relating to a PC Pool have given any request, demand, authorization, direction, notice, consent or waiver requested or permitted under the Trust Agreement or any Pool Supplement, any PCs beneficially held by a Transferor (as defined below) with respect to that PC Pool, or the affiliates or agents of a Transferor, will be disregarded and deemed not to be outstanding.

However, when determining whether Holders of the requisite amount of PCs relating to a PC Pool have given any request, demand, authorization, direction, notice, consent or waiver under the Trust Agreement or any Pool Supplement regarding (i) an Event of Default (or default by a successor trustee) or succession upon an Event of Default (or default by a successor trustee), (ii) a matter requiring the consent of a Holder to the impairment of such Holder's right to receive payments when due or to sue for any payment that is overdue or (iii) any other matter whose outcome would not affect the "sale" treatment of the transfer of Mortgages to the PC Pool, then any PCs beneficially held by a Transferor with respect to that PC Pool, or the affiliates or agents of a Transferor, will be deemed to be outstanding.

A **"Transferor"** means, with respect to any PC Pool created on or after December 31, 2007, (a) any person or legal entity, acting in its capacity as principal, that transfers Mortgages to Freddie Mac in exchange for cash or PCs, or a combination of cash and PCs, for conveyance to the related PC Pool; or (b) Freddie Mac, in its corporate capacity when it transfers Mortgages that it has been holding in its own portfolio to a PC Pool in exchange for cash or PCs.

Amendment

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

- Cure any ambiguity or correct or add to any provision in the Trust Agreement or any Pool Supplement, if the amendment does not adversely affect Holders in any material way.
- Maintain the classification of any PC Pool as a grantor trust for federal income tax purposes.
- Avoid the imposition of any state or federal tax on a PC Pool.
- Modify our procedures for calculating payments to Holders or passing through prepayments as set forth in the Trust Agreement.

With the consent of the Holders of a majority of the outstanding principal amount of any affected issue of PCs, Freddie Mac and the Trustee also may amend the Trust Agreement or any Pool Supplement in any other way. However, unless each affected Holder consents, Freddie Mac and the Trustee may not amend the Trust Agreement or any Pool Supplement to impair the rights of a Holder 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 PCs, 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.

Tax Information

Within a reasonable time after the end of each calendar year, as Administrator, we or our agent will furnish to each investor who was a Holder on any record date during such year information we deem necessary or desirable to enable Holders and beneficial owners of PCs to prepare their federal income tax returns, if applicable.

Termination

Our obligations and responsibilities under the Trust Agreement and applicable Pool Supplement to a Holder of a PC will terminate upon (1) the full payment to the Holder of all principal and interest due the Holder based on the applicable Pool Factor or by reason of our guarantees or (2) the payment to the Holder of all amounts held by Freddie Mac and required to be paid under the Trust Agreement. However, our guarantee will be reinstated in the event that any principal or interest payment made to a Holder is for any reason returned by the Holder pursuant to an order, decree or judgment of a court of competent jurisdiction to the effect that the Holder was not entitled to retain such payment pursuant to the Trust Agreement. In addition, we will furnish information we deem necessary to enable Holders to prepare their federal income tax returns for the year in which the termination occurs.

Various Matters Regarding Freddie Mac

Neither Freddie Mac, in its corporate capacity, nor any of our directors, officers, employees and agents will be liable to Holders for any action taken or omitted in good faith or for errors in judgment. However, neither we nor they will be protected against any liability that results from our or their willful misfeasance, bad faith, gross negligence or reckless disregard of their obligations.

As Administrator, we are required to hold and administer Mortgages in a PC Pool using the same standards as we use for similar mortgages that we own.

Except for our guarantee obligations or other payment obligations, Freddie Mac will not be liable for any Holder’s direct damages unless we fail to exercise the same degree of ordinary care that we exercise in the conduct of our own affairs. Freddie Mac will not be liable for any Holder’s consequential damages.

In addition, Freddie Mac does not need to appear in any legal action that is not incidental to its responsibilities under the Trust Agreement or any Pool Supplement and that it believes may result in any expense or liability. However, Freddie Mac may undertake any legal action that it believes 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 PCs. Except as described under *Rights Upon Event of Default* and *Control by Holders and Voting Rights* above, PCs we hold will be treated the same as PCs held by other Holders.

The Trust Agreement and any Pool Supplement will be binding upon any successors to Freddie Mac.

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 Pool Supplement or any transaction under the Trust Agreement or any Pool Supplement, then New York law will be deemed to reflect federal law.

CERTAIN FEDERAL INCOME TAX CONSEQUENCES

General

Any discussion of tax matters in this Offering Circular and any applicable Pool Supplement was not intended or written to be used, and cannot be used, by any person for the purpose of avoiding tax penalties that may be imposed on such person. Such discussion was written to support the promotion and marketing of the PCs. Investors should consult their own independent tax advisors regarding the PCs and each investor's particular circumstances.

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

Although we are a government-sponsored enterprise, neither the PCs nor the income received from them is exempt from federal income, estate or gift taxes under the Internal Revenue Code of 1986, as amended (the **"Code"**). Further, neither the Code nor the Freddie Mac Act exempts the PCs or income on them from taxation by any state, any United States possession or any local taxing authority.

Tax Status

Each PC Pool will be classified as a grantor trust under subpart E, part I of subchapter J of the Code and not as an association taxable as a corporation. As an investor in a PC, you will be treated for federal income tax purposes as the owner of a pro rata undivided interest in the underlying Mortgages.

If you own PCs, you must report on your federal income tax return your pro rata share of the entire income from the Mortgages in the related PC Pool, in accordance with your method of accounting. Income will include gross interest income at the interest rates on the Mortgages and incidental fees, if any.

You generally will be able to deduct, under Section 162 or 212 of the Code, your pro rata share of servicers' fees or any of our management and guarantee fees, including incidental fees paid by the borrowers and retained by the servicer or us and all administrative and other expenses of the PC Pool, in accordance with your method of accounting. The Code limits the deductions for these miscellaneous itemized deductions for some investors.

PCs generally will be considered to represent "real estate assets" within the meaning of Section 856(c)(5)(B) of the Code. Interest income from the PCs will be considered to represent "interest on obligations secured by mortgages on real property" within the meaning of Section 856(c)(3)(B) of the Code. In the event that any Mortgage has an LTV ratio in excess of 100% (that is, the principal balance of any Mortgage exceeds the fair market value of the real property securing it), the interest income on the excess portion of the Mortgage will not be "interest on obligations secured by mortgages on real property" within the meaning of Section 856(c)(3)(B) of the Code and such excess portion of the Mortgage will not be a "real estate asset" within the meaning of Section 856(c)(5)(B) of the Code. The excess portion should represent a "Government security" within the meaning of Section 856(c)(4)(A) of the Code. If a PC Pool contains a Mortgage with an LTV ratio in excess of 100%, a holder that is a real estate investment trust should consult its tax advisor concerning the appropriate tax treatment of such excess portion.

Unless otherwise disclosed in the applicable Pool Supplement, PCs may not constitute "loans . . . secured by an interest in real property which is . . . residential real property" within the meaning of Section 7701(a)(19)(C)(v) of the Code for purposes of determining whether an institution qualifies as a "domestic building and loan association." PCs qualify for such treatment in their entirety only if the planned residential use with respect to the property securing the Mortgage exceeds 80 percent of the property's planned use (determined as of the time the Mortgage was created). According to the legislative history to this provision, Congress intended that this determination be based on the usable space in the building. Even if the property securing the Mortgage does not meet this test, counsel is of the opinion that, based on authority addressing analogous circumstances, the PCs will be treated as "obligations of a corporation which is an instrumentality of the United States" within the meaning of Section 7701(a)(19)(C)(ii) of the Code. Thus, the PCs will be a qualifying asset for a domestic building and loan association.

Discount and Premium

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

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

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

Original Issue Discount

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

Market Discount

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

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

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

Premium

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

Constant Yield Method

You may elect to include in gross income all interest that accrues on a Mortgage by using the constant yield method. For purposes of this election, interest would include stated interest, *de minimis* original issue discount, original issue discount, *de minimis* market discount and market discount, as adjusted by any premium. You should consider the relationship between this election and the elections described above under *Market Discount* and *Premium*.

Prepayment Premiums

You should consult your own tax advisors regarding the tax treatment of Prepayment Premiums.

Sale or Exchange of a PC

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

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

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

Application of the Stripped Bond Rules

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

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

The Service has issued guidance taking the position that, when Mortgages are sold and the servicer is entitled to receive amounts that exceed reasonable compensation for the mortgage servicing to be performed, the Mortgages are treated as stripped bonds within the meaning of Section 1286 of the Code. If this treatment applies, you would not be treated as having a pro rata undivided interest in the underlying Mortgages for tax purposes, but rather you would be treated as owning "stripped bonds" to the extent of your share of principal payments and "stripped coupons" to the extent of the class coupon plus reasonable servicing fees and guarantee fees. Under Section 1286, you would be treated as if the payments to be received in respect of your ownership interest in the Mortgages were purchased at an original issue discount equal to the difference between the price at which you are considered to have paid for such payments and the total amount of such payments. You would include in income such original issue discount in accordance with the rules for original issue discount under the Code. Effectively, you would report both interest and discount on the Mortgages as ordinary income as income accrues under a constant yield method under Series 1271-1273 and 1275 of the Code.

The Service has also issued guidance providing that a purchaser of a Mortgage that is a stripped bond must treat it as a market discount bond if the amount of original issue discount on the stripped bond is considered to be zero after application of the *de minimis* rule of Section 1273(a)(3) of the Code or if the annual stated rate of interest payable on the stripped bond is 100 basis points or less below the annual stated rate of interest payable on the Mortgage. These conditions apparently are based on the premise that the interest payments which remain associated with the stripped bond are treated, for purposes of the original issue and market discount provisions of the Code, as stated interest payable with respect to the stripped bond. If these conditions are met, you would be required to account for any market discount in accordance with the rules for market discount as described above under *Discount and Premium.*

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

Backup Withholding, Foreign Withholding and Information Reporting

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

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

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

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

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

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

For these purposes, the term **"U.S. Person"** means 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.

If a partnership (or other entity treated as a partnership for federal income tax purposes) holds PCs, 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.

ERISA CONSIDERATIONS

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

The regulation makes it clear that Freddie Mac and other persons, in providing services for the Mortgages in a PC 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 PC

LEGAL INVESTMENT CONSIDERATIONS

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

If you are subject to legal investment laws and regulations or to review by regulatory authorities, you may be subject to restrictions on investing in some types of PCs or in PCs 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 Department or any other federal or state agency with similar authority should review applicable regulations, policy statements and guidelines before purchasing or pledging PCs.

ACCOUNTING CONSIDERATIONS

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

DISTRIBUTION ARRANGEMENTS

Freddie Mac purchases Mortgages from eligible sellers under various purchase programs and, as Depositor, deposits such Mortgages in PC Pools under the Trust Agreement and applicable Pool Supplement. As Trustee, we create and issue, under the Trust Agreement and that Pool Supplement, on behalf of the related PC Pool, PCs representing undivided interests in those same Mortgages. As Depositor, we deliver those PCs to the seller as consideration for the Mortgages. We may retain or repurchase PCs for our own portfolio, and may offer or re-offer such PCs from time to time. These transactions may affect the market prices and yields of PCs.

SECONDARY MARKETS, MORTGAGE SECURITY PERFORMANCE AND MARKET SUPPORT ACTIVITIES

Certain dealers may buy, sell and make a market in PCs. The secondary market for PCs may be limited. If a dealer sells a PC, currently the dealer is required to confirm the sale; notify the purchaser of the settlement date, purchase price, concessions and fees; and make available to the purchaser, by electronic means or otherwise, a copy of this Offering Circular and the applicable Pool Supplement.

You can obtain prices for PCs by contacting the securities dealers selling and making a market in those PCs. You can obtain a list of PC dealers by contacting Investor Inquiry as shown on page 4.

We support the liquidity and depth of the market for PCs through various activities, including:

- Educating dealers and investors about the relative merits of trading and investing in PCs;
- Purchasing and selling PCs and other mortgage-related securities through our retained portfolio; and
- Introducing new mortgage-related securities products and initiatives.

We may increase, reduce or discontinue these or other related activities at any time, which could affect the liquidity and depth of the market for PCs. We support the execution of our credit guarantee business by adjusting our guarantee fee.

Our strategies to support PC price performance include the purchase and sale by our retained portfolio of PCs and other agency securities, including Fannie Mae securities. Depending upon market conditions, including the relative prices and relative supply of and demand for PCs and comparable securities, there may be substantial variability in any period in the total amount of securities we purchase or sell for our retained portfolio in accordance with this strategy. Our Information Statements contain additional information about our security performance and market support activities.

CERTAIN RELATIONSHIPS AND TRANSACTIONS

We may have various business relationships with dealers that deal in PCs, originators, sellers or servicers of Mortgages, and affiliates of those firms. For example, they may from time to time underwrite, invest in or make markets in PCs or other securities we issue, provide financial advice to us, provide money management, consulting or investment banking services to us, purchase Mortgages or other financial products from us, sell Mortgages or other financial products to us, engage in swap, forward, dollar roll, repurchase, reverse repurchase and other financial transactions with us, resecuritize PCs or other securities we have issued, or enter into licensing or other commercial agreements with us.

INDEX OF TERMS

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

Appendix II

INTEREST RATE INDICES

The following are the Indices most often used in the ARMs we acquire and pool. The CMT Index, LIBOR and Eleventh District COFI are the Indices used most frequently. We make no representation as to the continuing availability of any Index or source of Index values.

An Index will adjust based on the most recent Index value available as of a specified date (for example, 45 days) before the effective date of the adjustment of the related ARM. The period of time between the Index adjustment date and the ARM adjustment date is sometimes referred to as the "lookback period." For adjustment purposes, an Index value is available as of the date the information is released or publicly available.

If an Index becomes unavailable, we will designate a new one based upon comparable information and methodology.

- **Eleventh District COFI:** The weighted average cost of funds for member savings institutions of the Eleventh District of the Federal Home Loan Bank.
- **LIBOR:** The arithmetic mean of the London interbank offered quotations for U.S. dollar denominated deposits with a maturity of one month, three months, six months, one year or some other maturity, as reported in the *Wall Street Journal*, in each case as specified in the applicable Pool Supplement.
- **Treasury Index:** The auction average (investment) yield on three-month or six-month U.S. Treasury bills or the weekly average yield 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, in each case as specified in the applicable Pool Supplement.

Freddie
Mac