



# Freddie Mac

## Mortgage Participation Certificates

### Mortgage Participation Certificates

Freddie Mac issues and guarantees Mortgage Participation Certificates, or “PCs.” PCs are securities that represent undivided beneficial ownership interests in, and the right to receive payments from, pools of one- to four-family 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.

**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, market and other risks of investing in them. The *Risk Factors* section beginning on page 18 highlights some of these risks.**

Offering Circular dated July 1, 2018

If you intend to purchase PCs, you should rely only on the information in this Offering Circular, in the disclosure documents that we incorporate by reference in this Offering Circular as stated under *Additional Information* and in the related pool supplement (each, a **“Pool Supplement”**) that we will make available on our internet website as to each PC Pool upon its formation.

We also make available on our internet website certain pool- and loan-level information regarding each of the Mortgages backing our PCs based on information furnished to us by the sellers and servicers of the Mortgages. We may not have independently verified information furnished to us by sellers and servicers regarding the Mortgages backing our PCs and make no representations or warranties concerning the accuracy or completeness of that information. In addition, sellers sometimes provide information about certain mortgages that they sell to us in separate additional supplements (**“Additional Supplements”**). We have not verified the information in Additional Supplements and make no representations or warranties concerning the accuracy or completeness of that information.

Each Pool Supplement and Additional Supplement contains information on a pool-level basis as of the date of the issuance of the related PCs. For the convenience of investors, we may post Additional Supplements on our internet website and furnish them upon request.

You can find additional and updated information about our PCs on our internet website at [www.freddiemac.com/mbs](http://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, any Additional Supplement, any loan-level information and any Incorporated Documents may not be correct after their dates.

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

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## FREDDIE MAC

### General

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

Although we are chartered by Congress, we alone are responsible for making payments on our securities. Payments on our 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.

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

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

### Conservatorship

We continue to operate under the conservatorship that commenced on September 6, 2008, conducting our business under the direction of the Federal Housing Finance Agency (“**FHFA**”) as our conservator (the “**Conservator**”). Upon its appointment, FHFA, as Conservator, immediately succeeded to all rights, titles, powers and privileges of Freddie Mac and of any stockholder, officer or director of Freddie Mac with respect to us and our assets. The Conservator also succeeded to the title to all our books, records and assets held by any other legal custodian or third party. The Conservator has delegated certain authority to our Board of Directors to oversee, and to management to conduct, business operations so that we can continue to operate in the ordinary course. The directors serve on behalf of, and exercise authority as directed by, and owe their fiduciary duties of care and loyalty to, the Conservator. The Conservator retains the authority to withdraw or revise its delegations of authority at any time. The Conservator also retains certain significant authorities for itself, and has not delegated them to the Board. The Conservator continues to provide strategic direction for Freddie Mac and directs the efforts of the Board and management to implement its strategy. Despite the delegations of authority to management, many management decisions are subject to review and/or approval by FHFA and management frequently receives direction from FHFA on various matters involving day-to-day operations.

It is possible and perhaps likely that future legislative or regulatory action will materially affect our role in the mortgage industry, business model, structure, and results of operations. Some or all of our functions could be transferred to other institutions, and we could cease to exist as a stockholder-owned company, or at all. Several bills have been introduced in recent sessions of Congress in the last several years concerning the future status of Freddie Mac, the Federal National Mortgage Association (“**Fannie Mae**,” together with Freddie Mac, the “**Enterprises**”), and the mortgage finance system, including bills which provided for the wind down of the Enterprises or modification of the terms of the Purchase Agreement, or an increase in credit risk transfer transactions. None of these bills were enacted. It is likely that similar or new bills will be introduced and considered in future sessions of Congress. In addition, in February 2018, Treasury released its Strategic Plan 2018-2022, which includes a goal of promoting financial stability through housing finance reform, including resolution of the conservatorships of the Enterprises.

The conservatorship is indefinite in duration. The timing, likelihood, and circumstances under which we might emerge from conservatorship are uncertain. Under the Purchase Agreement, Treasury would be required to consent to the termination of the conservatorship, other than in connection with receivership, and there can be no assurance it would do so. Even if the conservatorship is terminated, we would remain subject to the Purchase Agreement and the terms of the senior preferred stock. It is possible that the conservatorship could end with our being placed into receivership. Because Treasury holds a warrant to acquire nearly 80% of our common stock for nominal consideration, we could effectively remain under the control of the U.S. government even if the conservatorship ends and the voting rights of common stockholders are restored.

*FHFA’s Strategic Plan for Freddie Mac and Fannie Mae Conservatorships.* In May 2014, FHFA issued its 2014 Strategic Plan. FHFA issued the 2016 and 2017 Conservatorship Scorecards in December 2015 and December 2016, respectively. The 2014 Strategic Plan updated FHFA’s vision for implementing its obligations as Conservator of the Enterprises. The Conservatorship Scorecards established annual objectives and performance targets and measures for the Enterprises related to the strategic goals set forth in the 2014 Strategic Plan.

The 2014 Strategic Plan established three reformulated strategic goals for the conservatorships of Freddie Mac and Fannie Mae:

- *Maintain*, in a safe and sound manner, foreclosure prevention activities and credit availability for new and refinanced mortgages to foster liquid, efficient, competitive and resilient national housing finance markets.
- *Reduce* taxpayer risk through increasing the role of private capital in the mortgage market.
- *Build* a new single-family securitization infrastructure for use by the Enterprises and adaptable for use by other participants in the secondary market in the future.

As part of the first goal, the 2014 Strategic Plan describes various steps related to increasing access to mortgage credit for credit-worthy borrowers.

The second goal focuses on ways to transfer risk to private market participants and away from the Enterprises in a responsible way that does not reduce liquidity or adversely impact the availability of mortgage credit. The second goal provides for us to increase the use of single-family credit risk transfer transactions, continue using credit risk transfer transactions in the multifamily business and continue shrinking our mortgage-related investments portfolio consistent with the requirements in the Purchase Agreement, with a focus on selling less liquid assets.

The third goal includes the continued development of the Common Securitization Platform (“CSP”). FHFA refined the scope of this project to focus on making the new shared system operational for Freddie Mac’s and Fannie Mae’s existing single-family securitization activities. The third goal also provides for the Enterprises to work towards the development of a single (common) security.

*Common Securitization Platform and the Single (Common) Security.* In accordance with the 2014 Strategic Plan and the Conservatorship Scorecards, we continue to work with FHFA, Fannie Mae, and Common Securitization Solutions, LLC (“CSS”) on the development of the CSP and the single (common) security initiative for Freddie Mac and Fannie Mae.

The CSP is intended to be a shared securitization infrastructure that will undertake securitization functions now executed in-house by both Freddie Mac and Fannie Mae. The CSP will also support the issuance by both Enterprises of a single (common) mortgage-related security. As proposed by FHFA, the single (common) security would leverage the Enterprises’ existing security structures, and would encompass many of the pooling features of the current Fannie Mae mortgage-backed security and most of the disclosure framework of the current Freddie Mac PC. FHFA stated that its goal for the proposed single (common) security structure is for eligible legacy Freddie Mac PCs and eligible legacy Fannie Mae mortgage-backed securities to be fungible with the single (common) security for purposes of fulfilling transactions in the to-be-announced market.

CSS (jointly owned by Freddie Mac and Fannie Mae) owns and operates the CSP. While we exercise influence over CSS through our representation on the CSS Board of Managers, we do not control its day-to-day operations. CSS’ day-to-day operations are managed by CSS management, which is overseen by the CSS Board of Managers. The Board of Managers consists of two Freddie Mac and two Fannie Mae representatives. We may not realize the benefits of our investments in CSS if the CSP and single (common) security do not operate successfully, or if the market does not accept the single (common) security.

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

On March 28, 2018, FHFA announced that it anticipates that Release 2 of the CSP will be implemented on June 3, 2019. Release 2 involves the issuance by Freddie Mac and Fannie Mae of a single (common) mortgage-related security, to be called the Uniform Mortgage-Backed Security (“UMBS”). Release 2 will add to the functionality of Release 1, including commingling of Freddie Mac and Fannie Mae UMBS in securitization transactions. Freddie Mac intends to offer an optional exchange program to enable Holders to exchange eligible existing fixed-rate Gold PCs for Freddie Mac UMBS.

On December 4, 2017, FHFA published the “December 2017 FHFA Update on the Single Security Initiative and the Common Securitization Platform.” The report emphasized the importance of stakeholder readiness by the end of 2018 and provided updates on key initiative areas such as market outreach activities, continued work with regulatory and industry bodies to resolve open issues and questions and FHFA and Enterprise efforts concerning prepayment speed alignment for to-be-announced securities. The target implementation date of Release 2 of the single security initiative is June 3, 2019.

The transition to the CSP presents significant operational and technological challenges. As noted above, we began our transition to the CSP in late 2016 through Release 1. We are employing various processes and procedures to mitigate the operational risks related to Release 1. We will continue working with FHFA, CSS and Fannie Mae to develop processes and procedures related to the risks associated with Release 2.

See the Incorporated Documents for additional information concerning FHFA's strategic plan, Conservatorship Scorecards and legislative developments.

### **Purchase Agreement**

On September 7, 2008, the U.S. Department of the Treasury ("**Treasury**") entered into a senior preferred stock purchase agreement (as amended, the "**Purchase Agreement**") with our Conservator, acting on our behalf. The amount of available funding remaining under the Purchase Agreement was \$140.5 billion as of December 31, 2017. This amount will be reduced by any future draws, including funding of the draw request of \$312 million resulting from our net worth deficit as of December 31, 2017.

The Purchase Agreement requires Treasury, upon request of the Conservator, to provide funds to us after any quarter in which we have a negative net worth (that is, our total liabilities exceed our total assets, as reflected on our consolidated balance sheets prepared in accordance with generally accepted accounting principles). The Purchase Agreement also provides for Treasury, upon the request of the Conservator, to provide funds to us if the Conservator determines, at any time, that it will be mandated by law to appoint a receiver for us unless we receive these funds from Treasury. PC Holders have certain limited rights to bring proceedings against Treasury if we fail to pay under our guarantee and if Treasury fails to perform its obligations under its funding commitment. For a description of PC Holders' rights to proceed against Freddie Mac and Treasury, see *The Trust Agreement — Rights Upon Event of Default*. The Purchase Agreement contains covenants that significantly restrict our operations.

Treasury, as the holder of the senior preferred stock, is entitled to receive cumulative quarterly cash dividends, when, as and if declared by our Board of Directors. Under the August 2012 amendment to the Purchase Agreement, our cash dividend requirement each quarter is the amount, if any, by which our Net Worth Amount, at the end of the immediately preceding fiscal quarter, less the applicable capital reserve amount, exceeds zero. The applicable capital reserve amount was \$600 million in 2017. The term Net Worth Amount is defined as: (a) our total assets (excluding Treasury's commitment and any unfunded amounts thereof), less (b) our total liabilities (excluding any obligation in respect of capital stock), in each case as reflected on our consolidated balance sheets prepared in accordance with generally accepted accounting principles.

On December 21, 2017, the Conservator, acting on our behalf, entered into a letter agreement (the "**Letter Agreement**") with Treasury. The principal changes pursuant to the Letter Agreement are as follows:

- The senior preferred stock dividend for the dividend period from October 1, 2017 through and including December 31, 2017 was reduced to \$2.25 billion.
- The applicable capital reserve amount from January 1, 2018 and thereafter will be \$3.0 billion, rather than zero as previously provided. If for any reason we were not to pay our dividend requirement on the senior preferred stock in full in any future period, the applicable capital reserve amount would thereafter be zero.
- The liquidation preference of the senior preferred stock increased by \$3.0 billion, to \$75.3 billion, on December 31, 2017.

Under the Purchase Agreement, the unpaid principal balance of our mortgage-related investments portfolio is subject to a cap that decreases by 15% each year until the cap reaches \$250 billion. As a result, the unpaid principal balance of our mortgage-related investments portfolio could not exceed \$288.4 billion as of December 31, 2017 (and was \$253.5 billion on that date) and may not exceed \$250 billion as of December 31, 2018. In addition, in 2014 we adopted a plan under which we will manage the unpaid principal balance of the mortgage-related investments portfolio so that it does not exceed 90% of the cap established by the Purchase Agreement, subject to certain exceptions.

We receive substantial support from Treasury and are dependent upon its continued support in order to continue operating our business. Our ability to access funds from Treasury under the Purchase Agreement is critical to keeping us solvent and avoiding appointment of a receiver by FHFA under statutory mandatory receivership provisions. See the Incorporated Documents for additional information concerning the Purchase Agreement.

### **Our Relief Refinance and Mortgage Modification Programs**

Working with our Conservator, we have significantly increased our refinance, mortgage modification and foreclosure prevention efforts since we entered into conservatorship. These efforts are generally designed to reduce the number of foreclosures and help keep families in their homes. Some of our principal activities are described below. These activities include the Home Affordable Refinance initiative (“**HARP**”) and the Home Affordable Modification initiative (“**HAMP**”), which began in 2009 as part of the Making Home Affordable Program (the “**MHA Program**”). As noted below, the HARP initiative is scheduled to expire on December 31, 2018 and the HAMP initiative expired in December 2016.

- *HARP initiative.* We call our initiative in this area our “**Relief Refinance Program**” and the Mortgages that are originated thereunder “**Relief Refinance Mortgages.**”<sup>SM</sup> Under this program, we have set forth the terms and conditions under which we will purchase refinancings of Mortgages we own or guarantee. As originally designed, borrowers under Relief Refinance Mortgages had to be current on their original Mortgages. Certain eligible borrowers applying for Relief Refinance Mortgages could be subject to streamlined underwriting procedures and, for certain eligible Mortgages, the value of eligible properties could be determined using an automated valuation model. The loan to value (“**LTV**”) ratio on fixed-rate Relief Refinance Mortgages could be up to 125%. A Relief Refinance Mortgage could be without mortgage insurance if the original Mortgage did not bear mortgage insurance. Relief Refinance Mortgages were required to be originated on or before June 30, 2012 (the last application date was subsequently extended to December 31, 2018).
- *Changes to the HARP initiative.* On October 24, 2011 FHFA, Freddie Mac and Fannie Mae announced a series of FHFA-directed changes to the HARP initiative in an effort to attract more eligible borrowers who can benefit from refinancing their Mortgages.

The revisions to the initiative are available to borrowers with Mortgages that were sold to us on or before May 31, 2009 (effective October 27, 2013, this was revised to Mortgages having a note date on or before May 31, 2009), who have current LTV ratios above 80% and whose refinance loan application is dated on or after December 1, 2011. The program enhancements include:

- Eliminating certain risk-based fees for borrowers who refinance into shorter-term Mortgages and lowering fees for other borrowers;

- Removing the 125% LTV ratio ceiling for fixed-rate Mortgages (maximum LTV ratio for Relief Refinance ARMs will remain at 105%);
- Eliminating the requirement for lenders to provide us with certain representations and warranties regarding the Mortgages to be refinanced; and
- Eliminating the need for a new property appraisal where there is a reliable automated valuation model estimate provided by the applicable government sponsored enterprise.

On November 15, 2011, following discussions with FHFA and Fannie Mae, we issued operational and other guidance for the changes to our Relief Refinance Program. We started purchasing fixed-rate Relief Refinance Mortgages with LTV ratios greater than 125% for cash in January 2012 and we commenced securitizing such Relief Refinance Mortgages under our Guarantor Program on June 1, 2012. Generally, features of our revised Relief Refinance Program for Mortgages above 80% LTV, in addition to those described in the preceding paragraph, include the following:

- Permitting one 30-day delinquency within the preceding twelve months on the Mortgage being refinanced, provided that the delinquency did not occur within the preceding six months;
- Providing that at least one borrower has a verified source of income;
- Removing the requirement that the occupancy under the Mortgage being refinanced and the occupancy under the Relief Refinance Mortgage be the same; and
- Servicers generally may target Mortgages owned or securitized by us for refinancing, provided that the Servicer simultaneously applies the same advertising and solicitation activities to mortgages owned or securitized by Fannie Mae that are eligible to be refinanced under the HARP initiative. Our other limitations on targeted solicitations of Mortgages owned or securitized by us remain unchanged.

Borrowers who have refinanced once under the Relief Refinance Program are not eligible for additional refinancings under the program unless we purchased their Mortgages prior to June 1, 2009. Participation by lenders and servicers in the HARP initiative and our Relief Refinance Program is voluntary and we cannot predict the effect of the above measures on the rate on prepayments of the Mortgages backing our PCs.

Underwriting procedures for Relief Refinance Mortgages are limited in many cases, and such procedures generally do not include all of the changes in underwriting standards we have implemented since 2008. As a result, Relief Refinance Mortgages generally may reflect many of the credit risk attributes of the original loans.

The Relief Refinance program is being replaced with the high LTV relief refinance (“**Enhanced Relief Refinance<sup>SM</sup>**”) program, which will be available in January 2019 for loans originated on or after October 1, 2017. This program will provide liquidity for borrowers who are current on their Mortgages but are unable to refinance because their LTV ratios exceed our standard refinance limits. In addition, the HARP initiative has been extended for applications through December 31, 2018 to ensure that borrowers who have a high LTV ratio and are eligible for HARP will continue to have a refinance option.



- HAMP initiative.* HAMP expired on December 30, 2016. Under this program, our servicers offered eligible borrowers in owner-occupied homes who were delinquent or at risk of imminent default on their Mortgages modifications that reduced their monthly principal and interest payments on their Mortgages. Under HAMP, servicers that service Mortgages were provided incentives to reduce at-risk borrowers' monthly Mortgage payments to a target payment of 31% of the borrower's gross monthly income, which was arrived at by modifying the terms of the Mortgage in a specific sequential order until the servicer achieved the target payment (that is, capitalization of arrearages, interest rate reductions (to a floor of 2%), term extensions and principal forbearance or reduction). The interest rate and monthly principal and interest payment of the modified Mortgage are fixed for the life of the Mortgage unless the initial modified interest rate was below current market interest rates at the time of the modification. In that case, the below market interest rate is fixed for five years. At the end of the fifth year, the interest rate on the modified Mortgage may increase by 1% (or less) per year until it reaches the cap described below. These increases in interest rate are referred to herein as "**Step Rate Increases.**" The cap is equal to the market rate of interest (which is defined as the Freddie Mac Primary Mortgage Market Survey<sup>®</sup> rate for 30-year fixed-rate conforming mortgages, rounded to the nearest one-eighth of one percent (0.125%)) being charged by mortgage lenders on the day the modification agreement was prepared. Once the interest rate reaches the cap, it is fixed for the remaining term of the Mortgage. In order to receive a permanent modification, borrowers were subject to a trial period under which they were required to remit a number of monthly payments that were an estimate of the anticipated modified payment amount. After successfully meeting the requirements of the trial period, a borrower's Mortgage was modified. Servicers were paid certain incentive fees when they originally modified a loan, and are paid certain incentive fees over time, if the modified loan remains current. Borrowers whose Mortgages are modified through this program will also accrue monthly incentive payments that will be applied to reduce their principal as they successfully make timely payments over a period of five years. HAMP applied to Mortgages originated on or before January 1, 2009. In January 2015, at the instruction of FHFA, we implemented a \$5,000 principal reduction incentive payable to eligible borrowers who remain in good standing on their HAMP modified loans through the sixth anniversary of their modification. The incentive payment will be effected by applying any remainder of the incentive to reduce the unpaid principal balance of the modified Mortgage. If this incentive is paid with respect to any modified Mortgage backing a related PC, any principal reduction will constitute a partial prepayment of the PC. See *Description of the Mortgages — Special Mortgage Characteristics — Mortgages That Have Been Modified That We Subsequently Securitize* for information about a remodification initiative for Modified Mortgages with Step Rate Increases and the Incorporated Documents for additional information concerning HAMP and Mortgages modified under HAMP.
- Non-HAMP Standard Modification initiative.* In late 2011, as part of the servicing alignment initiative (described below), we implemented a new non-HAMP standard loan modification initiative, replacing our previous non-HAMP modification initiative. The non-HAMP standard modification initiative expired on September 30, 2017. Modifications under the non-HAMP standard modification initiative included capitalization of interest and certain non-interest arrearages, setting of interest rates (increasing or decreasing rates),

extending the Mortgage term to 480 months, a borrower trial period of at least three months for the modifications before they are finalized and may have included forbearance or reduction of principal balances. The non-HAMP standard modification initiative provided for a standard modified interest rate at the interest rate posted monthly by us. This initiative also provided for a servicer incentive fee schedule for non-HAMP modifications, comparable to the HAMP servicer incentive fee structure. The incentive fees were intended to provide greater incentives to our servicers to modify loans earlier in the delinquency. Unlike with HAMP modifications, our non-HAMP standard modification did not provide for borrower incentive payments or recurring servicer incentive fees after the initial servicer incentive payment. See the Incorporated Documents for additional information concerning the non-HAMP standard modification initiative and Mortgages modified under this initiative. See *Description of the Mortgages — Special Mortgage Characteristics — Mortgages That Have Been Modified That We Subsequently Securitize* for information regarding the non-HAMP streamlined modification initiative that we implemented in 2013, as well as other non-HAMP modification alternatives.

- *Flex Modification Initiative.* In December 2016, we announced the new Flex Modification (“**Flex Modification**”) initiative, which we are implementing jointly with Fannie Mae at the direction of FHFA. The Flex Modification replaced our non-HAMP standard and streamlined modification initiatives effective October 1, 2017, with earlier adoption permitted.

A mortgage may be modified up to three times under our Flex Modification program. Our Flex Modification employs a trial period payment plan feature, which allows eligible borrowers to make the new modified monthly payment for at least three months to ensure that the borrower can afford the new payment. While the borrower is making the trial period payments, the mortgage may remain in a delinquent status. The mortgage will not be permanently modified and brought current until the end of the trial period and only if the borrower has otherwise complied with the terms of the trial period plan. A Flex Modification may be made from the time the borrower is current and found to be in imminent default to shortly before foreclosure sale. We also offer a streamlined Flex Modification to borrowers who are 90 or more days delinquent or who have a Modified Mortgage with Step-Rate Increases and have become 60 or more days delinquent within 12 months of the related step-rate payment adjustment. Under the streamlined offer for the Flex Modification program, the servicer may offer the borrower a loan modification (preceded by a three-month trial period plan) without having made an assessment of the borrower’s hardship or income. If the borrower accepts the offer, the borrower will be required to make the new modified monthly payments for at least three months to ensure that the borrower can afford the new payment. While the borrower is making the trial period payments the mortgage will remain in a delinquent status. The mortgage loan will not be permanently modified and brought current until the end of the trial period and only if the borrower has otherwise complied with the terms of the trial period plan.

- *Disaster-Related Modification Initiative.* This modification is limited to borrowers that became delinquent because their home or place of employment was impacted by an eligible disaster and is located in an eligible disaster area. Servicers may consider such borrowers for this modification once their hardship has been resolved if they were less than 31 days delinquent as of the date of the disaster, are between 29 and 361 days

delinquent (at least one, but no more than 12 monthly payments are past due) at the time of evaluation and are able to resume making their contractual payments but are unable to bring their loan current through a reinstatement or repayment plan. The disaster-related modifications listed below will not take effect and the mortgage will not be brought current until the borrower makes three trial period plan payments and otherwise complies with the terms of the trial period plan. While the borrower is making the trial period payments, the mortgage will remain in delinquent status, but the servicer must not report the delinquency to credit repositories while the borrower is on an active trial period plan.

- *Extend Modification.* Servicers must first consider such borrowers for our **“Extend Modification”**, under which the servicer does not capitalize arrearages, but rather extends the mortgage term by a number of months equal to the number of missed monthly payments that occurred during the borrower’s preceding disaster forbearance plan. To the extent the servicer advanced escrow payments to a third party on behalf of the borrower and the borrower had not made such escrow payments to the servicer, the borrower must enter into a 60-month repayment plan to repay such advances in equal monthly installments to the servicer.
- *Disaster Relief Modification.* If a borrower is not eligible for the Extend Modification, the servicer must next evaluate the borrower for our **“Disaster Relief Modification”**. Under this modification, the servicer capitalizes arrearages and then extends the term of the mortgage in monthly increments until the monthly principal and interest due under the modified terms equals the pre-modification monthly principal and interest due. The servicer may not extend the term more than 480 months from the modification effective date. The servicer must evaluate the borrower for a Flex Modification if they are unable to achieve the pre-modification monthly payment by extending the term of the mortgage loan to the 480-month limit.
- *Servicing alignment initiative.* Under the FHFA-directed servicing alignment initiative, we and Fannie Mae are aligning certain standards for servicing non-performing mortgages owned or guaranteed by the companies. We believe that the servicing alignment initiative will continue to: (a) change, among other things, the way servicers communicate and work with troubled borrowers; (b) bring greater consistency and accountability to the servicing industry; and (c) help more distressed homeowners avoid foreclosure. We have provided standards to our servicers under this initiative that require them to initiate earlier and more frequent communication with delinquent borrowers, employ consistent requirements for collecting documents from borrowers and follow consistent timelines for responding to borrowers and for processing foreclosures. These standards have resulted in greater alignment of servicer processes for both HAMP and most non-HAMP workouts. As part of the servicing alignment initiative, we implemented a standard short sale process and deed in lieu of foreclosure process.
- *Principal Reduction Modification initiative.* On April 14, 2016, FHFA announced a new initiative under which it directed Freddie Mac and Fannie Mae to modify certain loans.

Servicers were required to have sent all required solicitations for this modification by December 31, 2016. In order to have qualified for the modification, as of March 1, 2016:

- The borrower must have been at least 90 days delinquent under the Mortgage;
- The Mortgage must have had an unpaid principal balance less than or equal to \$250,000 before capitalizing eligible arrearages; and
- The Mortgage must not have been originated for an investment property.

In addition, as of the date of evaluation of eligibility:

- The Mortgage must have had a post-modification current LTV ratio greater than 115%;
- The Mortgage must have been a first lien Mortgage owned in whole or in part or guaranteed by Freddie Mac (or Fannie Mae);
- The property securing the Mortgage could have been vacant or condemned;
- The Mortgage must have been originated at least 12 months prior to the loan modification evaluation date;
- The modification must result in a principal and interest payment that is less than or equal to the pre-modification principal and interest payment; and
- If the Mortgage was secured by a leasehold estate, the term of the lease must not terminate earlier than five years after the maturity date of the proposed modified mortgage. If the current term of the lease terminates earlier than five years after the maturity date, the term of the lease must be renegotiated in order to satisfy this requirement prior to offering the borrower a trial period plan.

Under the terms of this modification initiative:

- Any arrearages, including forbore principal balances from a previous modification, are capitalized;
- The modified interest rate is adjusted to the standard modification interest rate then in effect;
- The term of the Mortgage is extended to 40 years;
- Principal is forbore in an amount that is the lesser of an amount that would create a post-modification LTV ratio of 115% (using the interest bearing principal balance) or 30% of the post-modified unpaid principal balance of the loan; and
- The forbore amount is converted to a reduction in the principal balance no later than 90 days following finalization of the modification.

See the Incorporated Documents for additional information concerning our Relief Refinance Program and other refinance and mortgage modification programs.

## ADDITIONAL INFORMATION

Our common stock is registered with the U.S. Securities and Exchange Commission (“SEC”) under the Securities Exchange Act of 1934 (“Exchange Act”). We file reports and other information with the SEC.

As described below, we incorporate certain documents by reference in this Offering Circular, which means that we are disclosing information to you by referring you to those documents rather than by providing you with separate copies. We incorporate by reference in this Offering Circular (1) our most recent Annual Report on Form 10-K, filed with the SEC; (2) all other reports we have filed with the SEC pursuant to Section 13(a) of the Exchange Act since the end of the year covered by that Form 10-K report, excluding any information we “furnish” to the SEC on Form 8-K; and (3) all documents that we file with the SEC pursuant to Section 13(a), 13(c) or 14 of the Exchange Act after the date of this Offering Circular and prior to the termination of the offering of the related PCs, excluding any information we “furnish” to the SEC on Form 8-K. These documents are collectively referred to as the “**Incorporated Documents**” and are considered part of this Offering Circular. You should read this Offering Circular and any applicable Pool Supplement and Additional Supplement, in conjunction with the Incorporated Documents. Information that we incorporate by reference will automatically update information in this Offering Circular. Therefore, you should rely only on the most current information provided or incorporated by reference in this Offering Circular and any applicable Pool Supplement.

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

You can obtain, without charge, copies of this Offering Circular, any Additional Supplement, the Incorporated Documents, the PC Master Trust Agreement dated as of July 1, 2018 (as amended from time to time, the “**Trust Agreement**”) and any applicable Pool Supplement under which PCs are issued from:

<p><b>Freddie Mac — Investor Inquiry</b> <b>1551 Park Run Drive, Mailstop D50</b> <b>McLean, Virginia 22102-3110</b> <b>Telephone: 1-800-336-3672</b> <b>(571-382-4000 within the Washington, D.C. area)</b> <b>E-mail: <a href="mailto:Investor_Inquiry@freddiemac.com">Investor_Inquiry@freddiemac.com</a></b></p>
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We also make these documents available on our internet website at this address:

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

This Offering Circular relates to PCs issued on and after July 1, 2018. 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. Under the Trust Agreement, Freddie Mac has agreed to act as Trustee for and to administer all existing PCs substantially in accordance with the Trust Agreement, as described in this Offering Circular.

\* We are providing this and other internet addresses solely for the information of investors. We do not intend these internet addresses to be active links and we are not using references to these addresses to incorporate additional information into this Offering Circular or any 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. Information in any applicable Additional Supplement is provided by the sellers of the related Mortgages and not by us.

*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.

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

**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 Administrator, on behalf of the 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. PC Pools generally have a minimum size at formation of \$1,000,000 for Gold PCs® and \$500,000 for ARM PCs, but there was no minimum pool size for ARM PCs backed by Initial Interest Mortgages delivered under our Guarantor Program or Gold PCs backed by Initial Interest Mortgages delivered under our MultiLender Swap Program.

**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. The Mortgages are secured primarily by first liens on one- to four-family residential properties and may be either fixed-rate Mortgages or adjustable rate Mortgages (“**ARMs**”). Some fixed-rate Mortgages and ARMs are Initial Interest Mortgages. We describe the characteristics of different types of Mortgages in *Description of the Mortgages*. We make

available on our internet website information regarding the Mortgages in each PC Pool on a loan-level basis and, in the related Pool Supplement, on a pool-level basis. As described in *Certain Federal Income Tax Consequences*, we will make elections to treat certain beneficial interests in Mortgages in PC Pools as part of a “real estate mortgage investment conduit” (“**REMIC**”) for federal income tax purposes. Except where the context otherwise requires, the term “Mortgages” includes beneficial interests in Mortgages for which we will make a REMIC election.

**Types of PCs** . . . . . Each “**Gold PC**” represents an interest in a PC Pool containing: (i) fixed-rate, level payment, fully amortizing Mortgages, (ii) fixed-rate Initial Interest Mortgages or (iii) Modified Mortgages with or without Step Rate Increases. Each “**ARM PC**” represents an interest in a PC Pool containing ARMs. See *Description of the Mortgages*.

**Pool Characteristics** . . . . . Each Mortgage in a PC Pool must meet the eligibility standards we have established. The Pool Supplement for each PC Pool will describe on a pool-level basis the types and various characteristics of the Mortgages in the PC Pool. Mortgages may be repurchased from PC Pools or substituted for other Mortgages in certain limited situations described in this Offering Circular.

**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 day of each month. However, we do not pay principal on PCs backed by Initial Interest Mortgages that are in their interest only period unless unscheduled principal payments have been made on those Mortgages during that period. 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 are retained by servicers as servicing compensation or retained by us as part of our 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 these 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 rounded (or, prior to Pool Factors and Negative Amortization Factors for the month of August 2016, truncated rather than rounded) 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. Payment Capped ARM PCs may also have Negative Amortization Factors, which indicate any amounts of deferred interest added to the principal balances of such PCs during periods of negative amortization.

**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.**

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

**Servicing** . . . . . As Administrator, we are responsible for monitoring and overseeing 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.



<b>Trust Agreement</b> . . . . .	As Administrator, on behalf of the 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.
<b>Proceeds</b> . . . . .	Most PCs are issued in exchange for Mortgages, in which case we do not receive cash proceeds. We use the net proceeds from the sale of PCs for cash to provide funds for general corporate purposes, including the purchase of additional Mortgages.
<b>Form of PCs</b> . . . . .	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.
<b>PC Denominations</b> . . . . .	The PCs are issued in minimum denominations of \$1,000 and in \$1 increments above that minimum.
<b>Method of Payment</b> . . . . .	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.
<b>No "Clean-up Call"</b> . . . . .	We have no "clean-up call" option to redeem or terminate a PC based on its unpaid principal balance falling below a prescribed level.
<b>Tax Status</b> . . . . .	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 the underlying assets of the grantor trust. You should be aware that special rules may apply with respect to PCs backed by Mortgages in which the beneficial interests in the principal and interest payments are part of a REMIC or are High LTV Mortgages, as defined below. See <i>Certain Federal Income Tax Consequences — Tax Status</i> .
<b>Resecuritization</b> . . . . .	Following the assignment of Mortgages to a PC Pool, the related PCs, upon issuance, will represent the initial securitization of the Mortgages. Any further assignment of the related PCs to a REMIC trust or other issuance vehicle will represent the initial resecuritization of such PCs. PCs backed by Mortgages with respect to which REMIC elections are made may be resecuritized to the same extent as, and may be commingled freely with, PCs backed by Mortgages with respect to which no REMIC elections are made (including Freddie Mac PCs issued prior to July 1, 2018).

## 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, any applicable Pool Supplement and Additional 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.

### Investment Factors:

**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, any applicable Pool Supplement and Additional 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.

**PCs are subject to liquidity risk.** Illiquidity can have a severely negative impact on the prices of PCs, especially those that are particularly sensitive to prepayment or interest rate risk. PCs are not traded on any exchange and the market price of a particular issuance of PCs or a benchmark price may not be readily available. A secondary market for some types of PCs may not develop. 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 secondary markets for some PCs have experienced periods of illiquidity in the past, and can be expected to do so again in the future. Our financial condition, the conservatorship, uncertainty concerning our future structure and organization, including whether we will continue to exist, the level of governmental support for Freddie Mac and market perceptions or speculation concerning such factors could materially affect the liquidity and pricing of your PCs. Moreover, economic and political conditions in the U.S. and in foreign countries, including those countries that own and trade our PCs and other mortgage-backed securities, and demand for housing in the U.S. may materially affect the liquidity and pricing of your PCs. See *Credit Factors: General economic conditions could adversely affect your PCs*.

**Our activities to support the liquidity and price performance of our PCs may not be successful.** We may undertake various activities in an effort to support our presence in the agency securities market or to support the liquidity of our PCs, including their price performance relative to comparable Fannie Mae securities. These activities may include the purchase and sale of agency securities, the purchase of mortgages, dollar roll transactions and structuring activities, such as securitization of existing agency securities and the sale of some or all of the resulting securities. Dollar roll transactions are transactions in which we enter into an agreement to purchase and subsequently resell (or sell and subsequently repurchase) agency securities. Our purchases and sales of mortgage-related securities and our issuances of securities backed by our PCs influence the relative supply and demand (i.e., liquidity) for these securities, helping to support the price performance of our PCs. Depending upon market conditions, there may be substantial variability in any period in the total amount of securities we purchase or sell. In some cases, the purchase or sale of agency securities could

adversely affect the price performance of our PCs relative to comparable Fannie Mae securities. While we may employ a variety of strategies in an effort to support the liquidity and price performance of our PCs, and may consider additional strategies, those strategies may fail or adversely affect our business. We may cease such activities at any time, or FHFA could require us to do so, which could adversely affect the liquidity and price performance of our PCs. We incur costs in connection with our efforts to support our presence in the agency securities market and to support the liquidity and price performance of our PCs, including by engaging in transactions that yield less than our target rate of return. We may increase, reduce, or discontinue these or other related activities at any time, which could affect our market presence or the liquidity and price performance of our PCs. See also *Secondary Markets, Mortgage Security Performance and Market Support Activities*.

In addition, the liquidity-related price differences between our PCs and comparable Fannie Mae securities could be influenced by factors that are largely outside of our control. For example, the level of the Federal Reserve's purchases and sales of agency mortgage-related securities, including the balance sheet normalization program announced in October 2017 to reduce the Federal Reserve's holding of mortgage-related securities, could affect the demand for, and values of, our PCs. Therefore, any strategies we employ to reduce the liquidity-related price differences may not reduce or eliminate these price differences over the long-term.

In accordance with FHFA's 2014 Strategic Plan and the Conservatorship Scorecards, we are developing a single (common) security, which is designed to reduce the price performance disparities between the mortgage-related securities of Freddie Mac and Fannie Mae. This initiative is complex and costly, and requires us to align our business processes more closely with those of Fannie Mae. It is possible that we could experience a disruption in the liquidity of Freddie Mac securities during the period in which we transition to the single (common) security. We may be required by FHFA to modify our mortgage purchase offerings, servicing and securitization practices to more closely align with Fannie Mae to achieve market acceptance of the single (common) security. Further, there can be no assurance that a single (common) security will reduce the pricing disparities. Uncertainty concerning the timing of implementation of the single (common) security or the extent of the alignment between Freddie Mac's and Fannie Mae's mortgage purchase offerings, servicing and securitization practices may affect the degree to which the single (common) security receives widespread market acceptance.

The single (common) security initiative will also cause us to have counterparty credit exposure to Fannie Mae. Once the initiative is implemented, investors will be able to commingle Freddie Mac and Fannie Mae securities in resecuritizations. When we resecuritize Fannie Mae securities, our guarantee of principal and interest would extend to the underlying Fannie Mae securities. In the event Fannie Mae were to fail to make a payment on a Fannie Mae security that we resecuritized, Freddie Mac would be responsible for making the payment. We will not control or limit the amount of resecuritized Fannie Mae securities that we could be required to guarantee. We will be dependent on FHFA, Fannie Mae and Treasury (pursuant to Fannie Mae's and our respective Purchase Agreements with Treasury) to avoid a liquidity event or default. We are not planning to modify our liquidity strategies to address the possibility of non-timely payment by Fannie Mae.

**PCs are subject to market risk.** The market values of your PCs will vary over time in response to, among other factors: the level of, and changes in, prevailing interest rates; the age and other characteristics of Mortgages backing your PCs; the number of and outstanding principal balance of other PCs with similar characteristics; and the availability of comparable securities. Financial,

regulatory and legislative developments concerning Freddie Mac generally, including whether we are in conservatorship or receivership, could affect prices for your PCs. In addition, any adverse change in the market perception of our level of governmental support or credit standing could reduce the market price of PCs. If you sell your PCs when their market values are low, you may experience significant losses.

**Uncertainty of the Future of LIBOR.** In a speech on July 27, 2017, Andrew Bailey, the Chief Executive of the Financial Conduct Authority (the “FCA”), announced the FCA’s intention to cease sustaining LIBOR after 2021. The FCA has statutory authority to require panel banks to contribute to LIBOR where necessary. The FCA has decided not to ask, or require, that panel banks continue to submit contributions to LIBOR beyond the end of 2021. The FCA has indicated that it expects that the current panel banks will voluntarily sustain LIBOR until the end of 2021. The FCA’s intention is that after 2021, it will no longer be necessary for the FCA to ask, or require, banks to submit contributions to LIBOR. The FCA does not intend to sustain LIBOR through using its influence or legal powers beyond that date. It is possible that LIBOR could continue to be produced on the current basis after 2021, but no assurance can be given that LIBOR will survive in its current form, or at all.

We cannot predict the effect of the FCA’s decision not to sustain LIBOR, or, if changes are ultimately made to LIBOR, the effect of those changes. If LIBOR in its present form ceases to exist, we will select a new index, or its equivalent, as provided in the note relating to the applicable ARMs. Our designation of a replacement index, or its equivalent, will be final and binding. No assurances can be given concerning what replacement index, or its equivalent, will be chosen by us should this occur. If a replacement index, or its equivalent, is chosen, the market value and/or liquidity of the related ARM PCs, which have LIBOR as their index, could be adversely affected.

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

**Potential conflicts of interest.** In connection with the PCs that we issue, we act in multiple roles — Trustee, Depositor, Administrator and Guarantor. The Trust Agreement provides that in determining whether a Mortgage shall be repurchased from the related PC Pool, we may in our capacities as Administrator and Guarantor consider factors as we deem appropriate, including the reduction of administrative costs (in the case of the Administrator) and possible exposure under our guarantee (in the case of the Guarantor). There is no independent third party engaged with respect to the PCs to monitor and supervise our activities in our various roles. In connection with our roles as Administrator and Guarantor, we may take certain actions with respect to Mortgages that may adversely affect PC Holders. For example, we may repurchase, or direct sellers or servicers to repurchase, Mortgages from PC Pools in certain situations. A Mortgage repurchase will be treated as a prepayment in full of the Mortgage being repurchased and will increase the prepayment speeds of PCs. See *Description of the Mortgages — Mortgage Purchase and Servicing Standards — Mortgage Repurchases* and *Risk Factors — Prepayment and Yield Factors — Substantial repurchases of seriously delinquent Mortgages from PC Pools could materially affect PC prepayment speeds, — Substantial repurchases of Mortgages from PC Pools due to breaches of representations and warranties by sellers and servicers could materially affect PC prepayment speeds, and — Substantial repurchases of Mortgages from PC Pools due to modifications, refinancings or other loss mitigation programs resulting from default or imminent default could materially affect PC prepayment speeds.*

## **Governance Factors:**

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

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

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

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

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

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

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

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

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

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

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

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

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

If we are placed into receivership and do not or cannot fulfill our guarantee obligation to PC Holders, PC Holders could become unsecured creditors of Freddie Mac with respect to claims made

under our guarantee. For a description of certain rights of PC Holders to proceed against the Treasury if we fail to pay under our guarantee, see *The Trust Agreement — Rights Upon Event of Default*.

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

### **Prepayment and Yield Factors:**

**Substantial repurchases of seriously delinquent Mortgages from PC Pools could materially affect PC prepayment speeds.** We currently repurchase substantially all Mortgages that are 120 days or more delinquent from our fixed-rate and ARM PCs. We effect these repurchases primarily because the cost of guarantee payments to PC Holders, including advances of interest at the PC Coupon, for most nonperforming Mortgages exceeds the cost of holding these nonperforming Mortgages in our mortgage-related investments portfolio as a result of the required adoption in January 2010 of certain accounting standards and changing economics. In addition, these Mortgage repurchases help us preserve capital and reduce the amount of any additional draws from Treasury under the Purchase Agreement.

We expect to continue our current repurchase practices as long as they are economically beneficial. However, we will continue to review the economics of repurchasing Mortgages that are 120 days or more delinquent in the future and may reevaluate our delinquent Mortgage repurchase practices and alter them if circumstances warrant.

**Substantial repurchases of Mortgages from PC Pools due to breaches of representations and warranties by sellers and servicers could materially affect PC prepayment speeds.** Repurchases of Mortgages from PC Pools may occur due to breaches of certain representations and warranties by the sellers and servicers of those Mortgages. These repurchases would have the same effect on the Holder as a prepayment of the Mortgages. See *We have a backlog of repurchase requests to sellers and servicers and their fulfillment could affect PC prepayment speeds*. Beginning in January 2013, under the direction of FHFA, we have made a number of changes to our representation and warranty framework for Conventional Mortgages. See *Description of the Mortgages — Mortgage Purchase and Servicing Standards — Mortgage Repurchases*.

**Substantial repurchases of Mortgages from PC Pools due to modifications, refinancings and other loss mitigation programs resulting from default or imminent default could materially affect PC prepayment speeds.** Repurchases of Mortgages from PC Pools may occur when the terms of those Mortgages are modified as a result of default or imminent default or the Mortgages are refinanced. We offer financial incentives to servicers to modify certain delinquent Mortgages in order to reduce foreclosures and to enable borrowers to stay in their homes. These repurchases would have the same effect on the Holder as a prepayment of the Mortgages.

Working with our Conservator, we have significantly increased our refinance, loan modification and foreclosure prevention efforts since we entered into conservatorship. In March 2009, we announced our Relief Refinance and Home Affordable Modification Programs under the MHA Program. Prior to the implementation of these programs, certain borrowers may not have qualified to refinance or modify their Mortgages. The number of Mortgages and borrowers that have participated in these programs and our non-HAMP modification initiatives have been, and may continue to be, substantial. In addition, because the LTV ratio on fixed-rate Relief Refinance Mortgages at origination can exceed 125%, borrowers, who may have little or no equity in their homes and who would not otherwise qualify for refinancings, may qualify for Relief Refinance Mortgages. Streamlined

underwriting procedures and valuation of properties using an automated valuation model also may apply to certain eligible borrowers. Servicers are paid certain incentive fees when they modify a loan under certain of our modification programs. Under certain circumstances, Mortgages may be modified more than once. See *Freddie Mac — Our Relief Refinance and Mortgage Modification Programs* and the Incorporated Documents for additional information.

Depending on the number of borrowers who obtain refinancings and modifications under our Relief Refinance and Enhanced Relief Refinance Programs and modification initiatives, the increase in prepayments on certain PCs could be material. Generally, refinancings and modifications of Mortgages result in prepayments under the related PCs in an amount equal to the unpaid principal balance of the affected Mortgages. We cannot predict the number of borrowers who will ultimately participate in these programs or the rate of prepayments on the related PCs.

The Relief Refinance Program will expire on December 31, 2018 and be replaced by our Enhanced Relief Refinance initiative. Our Flex Modification replaced our non-HAMP standard and streamlined modification initiatives effective October 1, 2017. HAMP expired in December 2016.

**PC 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 full and partial prepayments, including prepayments that result from refinancings and other voluntary payments by borrowers and from the repurchase of Mortgages from PC Pools due to defaults or delinquencies, inaccurate representations or warranties or other factors. Mortgage prepayment rates fluctuate continuously and in some market conditions substantially. Therefore, we cannot predict the rate of prepayments on the Mortgages or the rate of principal payments on the related PCs.

**Mortgage prepayments are affected by many factors and are unpredictable.** The rates of prepayments of Mortgages, and therefore the rates of principal payments on the related PCs, are influenced by a variety of economic, social and other factors, including local and regional economic conditions, homeowner mobility and the availability of, and costs associated with, alternate financing. Such factors, which may be affected by the Relief Refinance and Enhanced Relief Refinance Programs and our modification initiatives, include but are not limited to:

- Prevailing mortgage interest rates. In general, as mortgage interest rates decline, borrowers tend to refinance their current, higher rate Mortgages, which results in faster prepayment rates on the related PC Pool. On the other hand, as mortgage interest rates increase, borrowers tend not to refinance their Mortgages, which results in slower prepayment rates on the related PC Pool. In recent years, the Board of Governors of the Federal Reserve (the “**Federal Reserve**”) has purchased significant amounts of mortgage-related securities issued by Freddie Mac, Fannie Mac and the Government National Mortgage Association and long-term Treasury securities to try to keep mortgage interest rates at low levels and to try to maintain the availability of mortgage funding. Changes in the fiscal and monetary policies of the Federal Reserve, including the balance sheet normalization program announced in October 2017 to reduce the Federal Reserve’s holdings of mortgage-related securities, could affect prevailing interest rates and the demand for our PCs.
- Mortgage characteristics, such as the geographic location of the mortgaged properties, loan size, LTV ratios or year of origination. These characteristics may be concentrated in a PC Pool, either initially or as a result of changes over time in the composition of a PC Pool.



To the extent Mortgages with similar characteristics tend to have similar prepayment patterns, the related PCs may prepay more quickly or more slowly than other PCs.

- Characteristics of the borrowers (such as credit score) and their equity positions in their houses (whether the LTV ratio is high or low). In particular, borrowers with substantial equity in their houses may be inclined to engage in cash-out refinancings in which the refinancing mortgage has a higher principal balance than the refinanced mortgage. This technique enables the borrower to convert all or a portion of the equity into cash. To the extent Mortgages with these borrower characteristics may be concentrated in a PC Pool, the related PCs may prepay more quickly or more slowly than other PCs.
- Procedures implemented by mortgage originators and servicers to ease the burden on themselves and borrowers of processing refinance loans. These changes may include reducing the amount of documentation and costs required to refinance and easing underwriting standards, which could encourage borrowers to refinance their Mortgages and thus increase prepayment rates. Some of our Mortgage purchase programs may facilitate these practices. For example, certain eligible borrowers applying for Relief Refinance and Enhanced Relief Refinance Mortgages may be subject to streamlined underwriting and other procedures. See *Freddie Mac — Our Relief Refinance and Mortgage Modification Programs*.
- Active solicitation by originators and servicers. Many mortgage servicers, including sellers of Mortgages to Freddie Mac, solicit borrowers to refinance their Mortgages. In particular, servicers may solicit borrowers to refinance in an effort to preserve servicing income, which could increase prepayment rates. To mitigate this risk, generally, we place restrictions on solicitation of borrowers which are intended to prevent servicers from targeting borrowers under Mortgages they service for us more actively than they target other borrowers.
- Servicing fee rates. PC Pools containing Mortgages that are subject to servicing fee rates that are relatively low may experience different prepayment rates than PC Pools in which relatively high servicing fee rates predominate.
- The rate of defaults and resulting repurchases of the Mortgages in a PC Pool. Defaults may increase during periods of economic recession, mortgage credit contraction, stricter underwriting standards that may inhibit refinancings, natural disasters, declining property values or increased use of secondary financing or as a result of other factors that decrease borrowers' equity. Such adverse developments could also have a greater impact on certain states or geographical regions. Depending on how long a Mortgage has been in default and the likelihood the borrower will resume making payments, we may repurchase a defaulted Mortgage from its PC Pool, which would have the same effect on the Holder as a prepayment of the Mortgage. Servicers may also modify such a Mortgage under our various modification initiatives. Upon modification, such a Mortgage would be repurchased from its PC Pool and such a repurchase would have the same effect on the Holder as a prepayment of the Mortgage. See *Substantial repurchases of seriously delinquent Mortgages from PC Pools could materially affect PC prepayment speeds and Credit Factors*. See also *Freddie Mac — Our Relief Refinance and Mortgage Modification Programs*.
- The prepayment behavior of relatively small PC Pools is likely to be less consistent and less predictable than is the prepayment behavior of larger PC Pools.

We make no representation concerning the particular effect that any factor may have on Mortgage prepayment behavior.

**We have a backlog of repurchase requests to sellers and servicers and their fulfillment could affect PC prepayment speeds.** We require sellers to make certain representations and warranties regarding the Mortgages they sell to us and/or service for us. If Mortgages are sold to us in breach of those representations and warranties, we have the contractual right to require the applicable seller to repurchase those Mortgages from us or make us whole for any credit losses realized with respect to the Mortgages, after consideration of other recoveries, if any. Some of these requests may be rescinded in the course of the contractual appeals process. We have similar rights against servicers with respect to Mortgages they service on our behalf. We may also have rights to collect compensatory fees from our servicers for servicing-related defects and violations. As of December 31, 2017, we had outstanding repurchase requests to our sellers and servicers with respect to Mortgages with an unpaid principal balance of approximately \$0.2 billion. If the sellers and servicers fulfill our repurchase requests and your PCs are backed by the applicable Mortgages, their repurchases will result in prepayments, which could be substantial. However, we may have already repurchased many of these Mortgages from your PCs pursuant to our current practice to repurchase (i) substantially all seriously delinquent Mortgages, (ii) modified Mortgages and (iii) foreclosed Mortgages from PC Pools. See *Substantial repurchases of seriously delinquent Mortgages from PC Pools could materially affect PC prepayment speeds* and *Description of the Mortgages — Mortgage Purchase and Servicing Standards — Defaults and Delinquencies*.

In addition, in lieu of repurchase, we may choose to allow a seller to indemnify us against losses realized on such Mortgages or otherwise compensate us for the risk of continuing to own the Mortgages. Sometimes a seller sells us Mortgages with recourse, meaning that the seller agrees to repurchase any Mortgage that is delinquent for more than a specified period (usually 120 days), regardless of whether there has been a breach of representations and warranties. Under recourse arrangements, a seller may also have the option, regardless of whether there has been a breach of representations and warranties, to repurchase with our consent a Mortgage that is 90 days delinquent.

**Various types of Mortgages may have special prepayment characteristics.** For example:

- Many Mortgages may be more prone to refinance as a result of our Relief Refinance Program, particularly Mortgages originated during 2006 through 2008. See *Freddie Mac — Our Relief Refinance and Mortgage Modification Programs*.
- Hybrid ARMs may be prone to refinancing toward the end of their fixed-rate periods.
- Convertible ARMs may be converted to fixed-rate Mortgages, which will be repurchased from the PC Pool shortly before their conversion date and such repurchases will be treated as full prepayments of the related convertible ARMs.
- Alignment Overflow Mortgages have been purchased from a seller whose mortgages have, in our experience, demonstrated relatively faster prepayment speeds than average for comparable mortgages sold to us by most other sellers.
- Payment Capped ARMs have weighted average lives that can lengthen if negative amortization occurs and shorten if accelerated amortization occurs.
- ARMs tend to have higher default rates than fixed-rate Mortgages.

- Biweekly Mortgages have weighted average lives that are shorter than those of otherwise similar monthly payment Mortgages.
- Cooperative Share Mortgages may experience different prepayment rates than other types of Mortgages due to various factors. Such factors include, but are not limited to, the geographic location of the related Cooperative, the characteristics of the borrower, and the borrower's ability to obtain refinancing.
- Prepayment Penalty Mortgages may tend to prepay differently than Mortgages without prepayment penalties. (We ceased buying Prepayment Penalty Mortgages on August 1, 2014.)
- Initial Interest Mortgages, which permit borrowers to pay only accrued interest for extended periods without requiring principal amortization, may affect borrower decisions regarding the sale of property or refinancing because the borrower may not have reduced the principal balance of the Mortgage by making unscheduled principal payments. In addition, borrowers could be motivated to refinance prior to the expiration of the interest only period because it is likely that the amount of each monthly payment will increase substantially when scheduled principal amortization on these Mortgages commences. We ceased buying Initial Interest Mortgages on September 1, 2010.
- Jumbo-Conforming Mortgages and Super-Conforming Mortgages may tend to prepay differently than standard conforming Mortgages because of a number of factors, including their larger relative principal balance (and larger resulting savings in the case of refinancing in a low interest rate environment), the presence of Freddie Mac and Fannie Mae in the secondary market for such Mortgages (which may tend to reduce the prevailing interest rates offered by lenders for extending such Mortgages and to increase funds available for such Mortgages) and the possible geographic concentration of such Mortgages.
- Modified Mortgages may have a greater risk of borrower delinquency and may generally have different prepayment and default characteristics than other Conventional Mortgages. In addition, Modified Mortgages with Step Rate Increases may have a greater risk of borrower delinquency and may experience faster prepayment rates during the periods when the interest rates of these Modified Mortgages are increasing.
- Extended Buydown Mortgages may experience higher default rates than other Buydown Mortgages because they provide for larger increases in the effective interest rates to borrowers.
- Relocation Mortgages could be less sensitive than other types of Mortgages to prepayments resulting from decreasing interest rates and more sensitive than other types of Mortgages to prepayments resulting from home sales. The prepayment behavior of Relocation Mortgages also generally depends on the circumstances of individual employees and employers and the characteristics of the specific relocation programs involved, including whether such Mortgages are made in connection with a permanent relocation of a corporate headquarters, the likelihood that the borrower will be relocated again and the frequency with which further relocations occur. We do not collect information relating to these factors from mortgage sellers or servicers. Borrowers under Relocation Mortgages may be more likely to be transferred by their employers than

mortgage borrowers generally. However, we cannot predict the likelihood of future employment related transfers or the rate of prepayments on Relocation Mortgages.

- Assumable Mortgages could be less sensitive than other types of Mortgages to prepayments due to home sales because they may not have to be prepaid when the mortgaged property is sold to a qualified borrower.
- High LTV Mortgages may have different prepayment and default characteristics than our other Mortgages. High LTV ratios are frequently associated with a lower likelihood of voluntary prepayments and a greater rate of default. However, at this time we cannot predict whether that will be the case for High LTV Mortgages.
- FHA/VA Mortgages may exhibit different prepayment behavior than Conventional Mortgages because they are underwritten using different criteria and they are usually Assumable Mortgages.
- Reinstated FHA/VA Mortgages may exhibit different prepayment behavior than conventional Mortgages because they are underwritten using different criteria, they have experienced previous periods of serious delinquencies and they can be assumed by a creditworthy purchaser of the related mortgaged property at the applicable interest rate for the remaining term of the Mortgage.
- Reinstated Mortgages may have different prepayment and default characteristics than other Conventional Mortgages. Although Reinstated Mortgages will be performing and not in default at issuance of their related new PCs, there can be no assurance that Reinstated Mortgages will remain current after issuance of the related PCs. Assuming that we do not change our current practices relating to delinquent Mortgages, if any Reinstated Mortgage becomes 120 days or more delinquent in the future and/or meets applicable criteria described under *Description of the Mortgages — Mortgage Purchase and Servicing Standards — Default and Delinquencies*, we could repurchase such Reinstated Mortgage from its related PC Pool, which repurchase would have the effect of a prepayment in full of such Reinstated Mortgage.

We make no representation concerning the particular prepayment rates for any type of Mortgage as compared to other kinds of Mortgages.

**Principal payment behavior varies over time and among PC Pools.** The rate of principal payments on a PC Pool may vary significantly from month to month as a result of fluctuations in the principal payment rates of its underlying Mortgages. A PC Pool may experience payment behavior that is similar to or different from that experienced by other PC Pools consisting of similar Mortgages. Any PC Pool could experience payment behavior that is significantly different from other PC Pools, particularly if it contains a relatively small number of Mortgages, contains Mortgages from only one seller or has been formed specifically to emphasize one or more loan characteristics, such as property location, credit score or loan size. Changes in payment behavior could also result from changes in or waivers of our Mortgage purchasing or servicing requirements or standards.

**Prepayments can reduce your yield.** Your yield on a PC will depend on its price, the interest rate payable on the PC, the payment delay on the PC, the rate of prepayments on its underlying Mortgages, and the other characteristics of those Mortgages. 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. 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 fully offset by an equivalent reduction (or increase) in that rate in later periods.

**The yield on your PCs may be less than the PC Coupon.** 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.

**Index values and Mortgage characteristics will affect yields of ARM PCs.** If you invest in ARM PCs, you should consider the following additional risks:

- 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, or high, interest rates compared to the other Mortgages in the same PC 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 of 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. In addition, the interest rates of the underlying Mortgages typically adjust based on an Index value published some time before such adjustment (the lookback period), and there may be a gap of up to several months from the publication of the applicable Index value until the PC Coupon reflects the adjusted value. As a result, the PC Coupon of your ARM PCs may not fully reflect current interest rates or Index values.
  - Although there are generally no limits on monthly PC Coupon adjustments for ARM PCs, interest rates on the underlying ARMs are subject to lifetime ceilings and 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. See *Description of the Mortgages — Adjustable Rate Mortgages (ARMs)* and *Description of the PCs — Payments of Interest — ARM PCs*.

- 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 your yield on the 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 Eleventh District COFI or other Indices which reflect averages of rates in effect over longer periods of time.
- If you invest in Payment Capped ARM PCs, the application of payment caps may result in negative amortization or accelerated amortization, which may affect your yield.

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

#### **Credit Factors:**

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

If the U.S. economy is weak, we could experience continued high payment defaults on Mortgages. Payment defaults on Mortgages could result in accelerated prepayments of your PCs as a result of our repurchase practices relating to seriously delinquent Mortgages and Mortgage modifications, refinancings, foreclosures or workouts. The rate of such refinancings and modifications could remain high as a result of our Relief Refinance and Enhanced Relief Refinance Programs and our modification initiatives. These developments could adversely affect the liquidity, pricing and yield of your PCs. Payment and recovery of principal on your PCs could depend on our ability to honor our

guarantee obligations. See *Prepayment and Yield Factors — Substantial repurchases of seriously delinquent Mortgages from PC Pools could materially affect PC prepayment speeds* and *— Substantial repurchases of Mortgages from PC Pools due to modifications, refinancings and other loss mitigation programs resulting from default or imminent default could materially affect PC prepayment speeds*. See also *Freddie Mac — Our Relief Refinance and Mortgage Modification Programs*.

**Many borrowers may be “underwater” on their Mortgages.** Any decline in the value of a mortgaged property after the Mortgage was originated could result in a higher LTV ratio with respect to that Mortgage than was applicable at the time the Mortgage was originated. A substantial number of borrowers are “underwater,” or owe more on their Mortgages than their homes are currently worth, and, based on historical information, are more likely to default than other borrowers. Higher LTV ratios may make it more difficult for borrowers to refinance their loans or sell their homes. As a result, any such Mortgages backing your PCs may prepay less rapidly due to refinancing than you expect or may experience a higher level of delinquency. However, certain of these Mortgages could qualify to be refinanced under our Relief Refinance and Enhanced Relief Refinance Programs, as those programs permit the LTV ratios on Relief Refinance and Enhanced Relief Refinance Mortgages to exceed 125%. If such Mortgages are refinanced, that would result in accelerated prepayments in related PC Pools. See *Freddie Mac — Our Relief Refinance and Mortgage Modification Programs*.

**Servicers may experience financial and other difficulties.** If a servicer experiences financial difficulties or becomes insolvent, its ability to effectively service mortgage loans may become impaired. In some cases it may become necessary for us to transfer servicing to another servicer. Less robust servicing practices before, during or after the transition to a new servicer can exacerbate loan delinquencies and borrower defaults. Although our guarantee would cover such borrower delinquencies and defaults, an increase in borrower delinquencies and defaults could result in acceleration of prepayments on your PCs, if we decide to exercise our option to purchase such delinquent loans from their related PC Pools.

### **Operational Risks:**

We face significant risks related to the FHFA-directed development of the single (common) security with Fannie Mae and CSS and the development and operation of the CSP. The transition to the CSP, which began in November 2016, presents significant operational and technological challenges. In addition, we will increasingly rely on CSS and the CSP (which is owned and operated by CSS) for the operation of our single-family securitization activities, particularly after Release 2 is implemented. We currently use the CSP to perform certain data acceptance, issuance support and bond administration activities for us (i.e., Release 1). On March 28, 2018, FHFA announced that the target implementation date for Release 2 is June 3, 2019. Our business activities could be adversely affected and the market for Freddie Mac securities could be disrupted if the CSP were to fail or otherwise become unavailable to us or if CSS were unable to perform its obligations to us. Any measures we could take to mitigate these risks might not be sufficient to prevent our business from being harmed. See the Incorporated Documents for additional information relating to our operational risks.

### **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 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 liens on one- to four-family residential properties. 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 be owner-occupied properties or non-owner occupied properties, such as second homes or investment properties. Mortgages may vary in form based largely on state law. They may take the form of other financial and security arrangements to finance residential properties over a fixed term. These other arrangements are designed to provide a holder with the same rights and remedies as the holder of a mortgage. Accordingly, we treat these sorts of arrangements as Mortgages. Examples include Cooperative Share Mortgages and arrangements designed to comply with Islamic law.

All of the Mortgages are either:

- **“Conventional Mortgages,”** which neither the United States nor any agency or instrumentality of the United States guarantees or insures.
- **“FHA/VA Mortgages,”** which the Federal Housing Administration, the U.S. Department of Veterans Affairs, the U.S. Department of Agriculture Rural Development (formerly the Rural Housing Service) (**“Rural Development”**) or the U.S. Department of Housing and Urban Development (**“HUD”**) guarantees or insures.

Mortgages bear interest at either a fixed or an adjustable interest rate. Most of the Mortgages we purchase are fixed-rate, fully amortizing, Conventional Mortgages with level monthly payments. Initial Interest Mortgages, which we ceased purchasing on September 1, 2010, require only monthly interest payments for a fixed initial period, after which they fully amortize the unpaid principal balance over the remaining term of the Mortgage.

Mortgages have payments that are due monthly or, in some cases, biweekly. We acquire Mortgages with various original or modified terms to maturity. The actual period from origination to maturity of a Mortgage may be slightly longer than the stated term because the first payment on a Mortgage frequently is not due until the second month after origination.

We typically purchase Mortgages secured by a first lien on the related residential property.

The following is a description of the types of Mortgages we most frequently acquire and pool.

### Fixed-Rate Mortgages

Fixed-rate Mortgages have interest rates that are fixed when the Mortgage is originated and do not change. The main types of fixed-rate Mortgages that we acquire and pool are Level Payment Mortgages. **Level Payment Mortgages** generally have original or modified terms to maturity of 10, 15, 20, 30 or 40 years and provide for equal scheduled monthly payments of principal and interest that will fully amortize the principal balance of the Mortgage over its term and pay interest as due. These Mortgages may include Mortgages that have been converted from an adjustable to a fixed interest rate. We ceased purchasing Mortgages with original maturities in excess of 30 years on August 1, 2014.



## Adjustable Rate Mortgages (ARMs)

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 Mortgage 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. Many ARMs are convertible to a fixed interest rate during a specified initial period (generally no more than 10 years). The originator of a convertible ARM determines the specific procedures regarding the exercise of the conversion option, including its timing and the beginning of the fixed rate. If the borrowers exercise their conversion option, we will repurchase convertible ARMs from PC Pools shortly before their conversion dates and such repurchases will be treated as full prepayments of such convertible ARMs.

On June 29, 2016, Freddie Mac and Fannie Mae implemented a new uniform ARM note, which institutes a mandatory lifetime floor equal to the Mortgage Margin applicable to the ARM. Sellers were required to use the new ARM note for any ARMs with note dates on or after October 1, 2016, with earlier adoption encouraged.

The main types of ARMs that we acquire and pool are Rate Capped ARMs and Payment Capped ARMs.

### *Rate Capped ARMs*

“**Rate Capped ARMs**” have maximum interest rates (lifetime ceilings) and may also have some combination of (a) limits on the amount the interest rate can adjust up or down on each adjustment date (adjustment caps) and (b) minimum interest rates (lifetime floors). Rate Capped ARMs are not subject to negative amortization — any excess over, or any deficit under, the interest rate that would be in effect if no adjustment caps or lifetime ceilings or floors were applied will not be added to, or subtracted from, amounts due to be paid by the borrower in subsequent periods. After the initial fixed-rate period, the monthly payment is adjusted to a fully amortizing level each time the interest rate is adjusted, except in the case of Initial Interest ARMs in their interest only periods. There is no limit to the amount of the adjusted monthly payment on a Rate Capped ARM. The most common types of Rate Capped ARMs we purchase and pool are Annual ARMs, Hybrid ARMs and Initial Interest ARMs.

- **Annual ARMs** have initial fixed-rate periods of one year with interest rates that adjust every year, and they are generally subject to periodic adjustment caps.
- **Hybrid ARMs** have relatively long initial fixed-rate periods, typically of two, three, five, seven or 10 years, as specified. (The different types of Hybrid ARMs having these fixed-rate periods, with annual adjustments thereafter, are sometimes referred to as “2/1,” “3/1,” “5/1,” “7/1” and “10/1” ARMs.) After the fixed-rate period expires, the fixed rate converts to an adjustable rate for the remaining term of the Mortgage. The initial adjustment, as well as subsequent periodic adjustments, are subject to adjustment caps. The initial adjustment cap on this type of ARM may be greater than subsequent adjustment caps. Effective for Hybrid ARMs purchased by us on or after July 1, 2013, we have revised our requirements for Hybrid ARMs with initial fixed-rate periods of less than or equal to five years to require that they must have initial adjustments, as well as periodic adjustments, of less than or equal to 2%.

- **Initial Interest ARMs** require monthly payments of accrued interest only on the principal balance of the Mortgage for a specified initial period, followed by fully amortizing monthly payments of principal and interest for the remaining term of the Mortgage at the then current interest rate. The Initial Interest ARMs that we acquired are non-convertible and generally have initial 3-, 5-, 7- or 10-year interest only periods followed by a fully amortizing period covering the remaining term of the Mortgage. Like other ARMs, the interest rate on an Initial Interest ARM adjusts periodically. The initial fixed-rate period of an Initial Interest ARM may or may not be equal in duration to its interest only period. Full or partial prepayments can be made at any time. In the case of a partial prepayment during the interest only period, the borrower's monthly payment is reduced to reflect the reduced principal balance of the Mortgage. We ceased purchasing Initial Interest ARMs on September 1, 2010.

### *Payment Capped ARMs*

“**Payment Capped ARMs**” bear interest at a rate that adjusts periodically based on a specified Index. The amount of any interest rate adjustment is limited by a lifetime ceiling and may be limited by an adjustment cap and/or a lifetime floor. The interest rate on the Payment Capped ARM usually adjusts monthly, while the borrower's scheduled monthly payment usually adjusts annually. Typically, a “payment cap” equal to 7.5% of the previous scheduled monthly payment limits the amount of any single increase or decrease in the scheduled monthly payment. This payment cap typically applies to each payment adjustment, other than the adjustment in the fifth year after origination and every fifth year thereafter and, in some cases, the final payment adjustment, which are fully amortizing adjustments. The timing of the payment adjustments, combined with the payment cap, can give rise to either negative amortization or accelerated amortization:

- Negative amortization occurs in any month when the borrower's monthly payment amount is insufficient to pay all of the monthly interest due on the Mortgage. This unpaid interest is then deferred and added to the principal amount of the Mortgage. A Payment Capped ARM may be subject to a “deferred interest limit,” which may be set by the terms of the Mortgage or by state law. A deferred interest limit prevents a mortgage balance from increasing above a specified level, typically 110% or 125% of the original principal balance of the Mortgage, as a result of the amount added to the principal balance of a Mortgage due to negative amortization. The borrower's required monthly payment is increased to avoid exceeding this limit, without regard to the 7.5% payment cap, on the next scheduled payment adjustment dates. Deferred interest may result from (a) increases in the Mortgage interest rate due to an increase in the applicable Index value during a period when the scheduled monthly payment remains fixed or (b) payment caps that limit the amount of increase in the scheduled monthly payment, which results in the monthly payment amount being less than the amount of interest accruing each month.
- Accelerated amortization occurs in any month when the scheduled monthly payment exceeds the amount needed to pay the principal and interest on the Mortgage on a level payment, fully amortizing basis. Accelerated amortization may result from (a) limitations on decreases in the amount of the scheduled monthly payment or (b) decreases in the interest rate of the Payment Capped ARM during a period when the scheduled monthly payment remains fixed. Accelerated amortization may shorten the term of a Payment Capped ARM and result in the final payment of its outstanding principal amount prior to its stated maturity date.

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

- **CD Index:** The weekly average of secondary market interest rates on nationally traded six-month negotiable certificates of deposit, as published by the Federal Reserve Board in the Federal Reserve Statistical Release entitled “H.15 Selected Interest Rates (Daily)” (the “**H.15 Release**”), which is published on the Federal Reserve’s website at [www.federalreserve.gov/releases/H15/update](http://www.federalreserve.gov/releases/H15/update).
- **CMT Index:** The weekly average yield on U.S. Treasury securities adjusted to a constant maturity of one, three, five, seven or 10 years or to some other constant maturity, as published in the H.15 Release. Yields on Treasury securities at constant maturity are determined by the U.S. Treasury from the daily yield curve, based on the closing market-bid yields on actively traded Treasury securities in the over-the-counter market.
- **Contract Rate Index:** The “National Average Contract Interest Rate for the Purchase of Previously Occupied Homes by Combined Lenders,” as released by the Federal Housing Finance Board.
- **Eleventh District COFI:** The monthly weighted average cost of savings, borrowings and advances for member savings institutions of the Eleventh District of the Federal Home Loan Bank, as released by the Federal Home Loan Bank of San Francisco.
- **Federal COF Index:** The average of the interest rates for marketable U.S. Treasury bills and notes, as calculated and released by Freddie Mac.
- **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*.
- **Prime Rate:** The prime lending rate of major banks as published in the H.15 Release.
- **Semi-annual Secondary Market Treasury Index:** The weekly average discount prevailing in weekly secondary market trading of six-month U.S. Treasury bills as published in the H.15 Release, as calculated from composites of quotations reported by five leading U.S. government securities dealers to the Federal Reserve Bank of New York.
- **Twelve-Month Average CMT Index:** The 12-month average of the monthly yields on United States Treasury securities as published in the H.15 Release, adjusted to a constant maturity of one year. Yields on Treasury securities at 1-year constant maturity are determined by the U.S. Treasury from the daily yield curve, based on the closing market-bid yields on actively traded Treasury securities in the over-the-counter market.

See *Risk Factors — Investment Factors — Uncertainty of the Future of LIBOR*.

## Special Mortgage Characteristics

### *General*

We may acquire and pool a variety of fixed-rate Mortgages and ARMs with special characteristics. Pool Supplements for PC Pools consisting of Mortgages with these characteristics will identify them. These Mortgages may prepay differently than standard fixed-rate Mortgages and ARMs. The following are the more common types of Mortgages with special characteristics that we acquire and pool, but we may from time to time also acquire and pool other kinds of Mortgages with special characteristics:

- A **40-year Mortgage** amortizes over a 40-year period and, as a result, scheduled principal amortization will be slower than for a Mortgage with a shorter term. Depending on the underwriting guidelines of the seller, the lower monthly payments may allow the borrower to qualify to borrow a larger amount than would have been the case for a Mortgage with a shorter term. Consequently, 40-year Mortgages may (i) extend the weighted average lives of the PCs they back and (ii) result in a larger loss and prepayment in the case of a default or foreclosure or other repurchase or prepayment event. We ceased purchasing Mortgages with original maturities in excess of 30 years on August 1, 2014.
- An **Alignment Overflow Mortgage** has been purchased from a seller whose mortgages have, in our experience, demonstrated relatively faster prepayment speeds than average for comparable mortgages sold to us by most other sellers.
- An **Assumable Mortgage** is one that can be assumed by a creditworthy purchaser of the related mortgaged property at the applicable interest rate for the remaining term of the Mortgage, or one that does not contain an enforceable due-on-transfer clause permitting automatic acceleration upon the transfer of the property regardless of the creditworthiness of the transferee. Typically, ARMs and FHA/VA Mortgages are Assumable Mortgages. Most fixed-rate Conventional Mortgages are not Assumable Mortgages. Some ARMs have initial fixed-rate periods during which they cannot be assumed.
- A **Biweekly Mortgage** requires the borrower to make payments every 14 days rather than monthly. The borrower's biweekly payment is equal to one-half of the monthly payment that would be required on the basis of a monthly amortization schedule. The borrower makes 26 (or sometimes 27) payments each year, which is the equivalent of 13 (or sometimes 13½) monthly payments. A Biweekly Mortgage will remain outstanding for a shorter term than an otherwise identical monthly payment Mortgage. For example, a 30-year, fixed-rate, level payment Mortgage with an interest rate of 7.5% would be paid in full in approximately 23 years under a biweekly payment arrangement. Some Biweekly Mortgages are convertible, permitting the borrower and/or the servicer to terminate the biweekly payment arrangement under certain circumstances. If a Biweekly Mortgage is converted, subsequent payments are required to be made monthly, which results in a slower rate of amortization after the conversion.
- A **Buydown Mortgage** is originated with special payment arrangements by which the borrower, lender and/or third party deposits funds in a separate account and uses those funds to pay a portion of the scheduled monthly payment on the Mortgage for a "buydown period," usually 18 to 36 months. Using a buydown account effectively reduces the interest rate paid by the borrower during the buydown period. Throughout that period, the

borrower's monthly payment increases at periodic intervals until it reaches its fully amortizing level. Frequently, the interest rate on a Buydown Mortgage exceeds the rate the same borrower would have paid on a similar Mortgage without a buydown. An **Extended Buydown Mortgage** is a Buydown Mortgage for which (a) the buydown period is longer than two years or (b) the effective interest rate during the buydown period is more than two percentage points below the interest rate of the Mortgage, regardless of the length of the buydown period.

- A **Cooperative Share Mortgage** is secured by a first mortgage, lien or other security interest on (a) the stock or membership certificate (or similar arrangement) issued to the borrower as a tenant-stockholder or resident-member by a cooperative housing corporation (a "**Cooperative**") and (b) the proprietary lease, occupancy agreement or right of tenancy granting the tenant-stockholder or resident-member rights to occupy a specific dwelling unit in the building owned by the Cooperative. Ownership interests and occupancy rights in a Cooperative generally are subject to restrictions on transfer, and also are subject to claims by the Cooperative for unpaid maintenance charges. The Cooperative, as owner of the building, is responsible for its management and typically pays certain costs. If there is a blanket mortgage on the building, the Cooperative is responsible for payments on that mortgage. Generally, tenant-stockholders or resident-members of the Cooperative make monthly payments to the Cooperative for their pro rata share of payments on the blanket mortgage, real property taxes, insurance, maintenance costs and other expenses. The lien of a Cooperative Share Mortgage on the ownership interest and right of tenancy of a tenant-stockholder or resident-member is subject to the prior lien of the Cooperative for unpaid maintenance and to the prior lien of the blanket mortgage on the building.
- A **High LTV Mortgage** is either (i) a Mortgage that has an LTV at origination of greater than 105% and equal to or lower than 125% and generally may be a fixed-rate Relief Refinance Mortgage or a non-assumable Mortgage guaranteed by Rural Development or (ii) pursuant to changes in the HARP initiative that were implemented by us in 2012, a fixed-rate Relief Refinance Mortgage that has an LTV at origination of greater than 125%. We pool each category of High LTV Mortgages separately from our other Mortgages. It is possible that High LTV Mortgages will have different prepayment and default characteristics than our other Mortgages. High LTV ratios are frequently associated with a lower likelihood of voluntary prepayments and a greater rate of default. However, at this time we do not have sufficient information to determine whether that will be the case for High LTV Mortgages. For more information about Relief Refinance Mortgages, see *Freddie Mac — Our Relief Refinance and Mortgage Modification Programs — Home Affordable Refinance initiative* and *— Changes to the Home Affordable Refinance initiative*.
- An **Initial Interest Mortgage** permits borrowers to pay only accrued interest for extended periods without requiring scheduled principal payments. When scheduled principal payments on these Mortgages commence, the required monthly payment is likely to increase substantially because scheduled principal payments are calculated to pay off such a Mortgage over its then remaining term at the then current interest rate. In addition, unless the borrower makes unscheduled principal payments during the interest only period, equity accretion for the borrower during that period will result solely from market price appreciation on the related property. These factors may affect borrowers' decisions

regarding the sale of property or refinancing because the borrower may not have reduced the principal balance of the Mortgage by making unscheduled principal payments. We ceased purchasing Initial Interest Mortgages on September 1, 2010.

- A **Jumbo-Conforming Mortgage** is a Mortgage originated from July 1, 2007 through December 31, 2008 that we are able to buy as a result of the temporary increase in conforming loan limits that was adopted in the Economic Stimulus Act of 2008 (the “**Stimulus Act**”) (maximum of \$729,750 for a one-family residence). We have purchased fixed-rate 15-, 20-, 30- and 40-year Jumbo-Conforming Mortgages. The fixed-rate 30-year Jumbo-Conforming Mortgages may be Initial Interest Mortgages that permit borrowers to pay only accrued interest for up to 10 years followed by a 20-year period over which principal is fully amortized. (We ceased purchasing Initial Interest Mortgages on September 1, 2010.) Fixed-rate Jumbo-Conforming Mortgages have been pooled separately from, and not with, our other fixed-rate conforming Mortgages. We have also purchased Jumbo-Conforming Mortgages that are ARMs (“**Jumbo-Conforming ARMs**”), which have been pooled with other Jumbo-Conforming ARMs of the same type. Jumbo-Conforming Mortgages were associated with approximately 70 areas, as determined by HUD. The Jumbo-Conforming Mortgages we purchased may be geographically concentrated. See *Mortgage Purchase and Servicing Standards — Mortgage Purchase Standards*.
- A **Prepayment Penalty Mortgage** requires fees, or prepayment penalties, to be paid whenever prepayments made within a specified period exceed a specified percentage of the original principal balance of the Mortgage. A prepayment penalty may or may not discourage a borrower from prepaying the Mortgage during the applicable period. The requirement to pay a prepayment penalty may generally last up to, but no longer than, five years. In order to be characterized as a Prepayment Penalty Mortgage, the prepayment penalty must last for at least one year and must equal at least 1% of the amount prepaid. (We do not treat Mortgages having a shorter penalty period or smaller penalty as Prepayment Penalty Mortgages.) Generally, we did not purchase Prepayment Penalty Mortgages whose prepayment penalty periods last longer than three years. Various combinations of prepayment rates and penalty periods are possible within those limitations. For example:
  - A specified percentage of the prepayment amount (for example, 1%, 2% or 5%);
  - 5% on prepaid amounts if prepaid in the first year after origination, 4% if prepaid in the second year, or 3% if prepaid in the third year;
  - 6 months’ advance interest at the interest rate on the Mortgage on prepaid amounts exceeding 20% of the original principal balance;
  - 2% or 5% on prepaid amounts exceeding 20% of the original principal balance;
  - A certain number of months (for example, 2, 3 or 6 months) of advance interest at the interest rate on the Mortgage on the original unpaid principal balance;
  - 2 months’ advance interest at the interest rate on the Mortgage on one-third of the prepayment amount; and
  - For a prepayment in full, the lesser of a specified percentage of the prepayment amount (for example, 2%) or a certain number of months (for example, 2 months)

of advance interest at the interest rate on the Mortgage on 100% of the prepayment amount.

Currently, the servicer retains all prepayment penalties. Prepayment penalties are not passed through to PC Holders. We prohibit our servicers from collecting prepayment penalties in cases where the payoff of the Mortgage is received in connection with the workout of a delinquent Mortgage or due to a default. Servicers have the option not to enforce prepayment penalties if they result from a sale of the mortgaged property, but otherwise are generally required to enforce them according to the terms of the Mortgage and applicable laws, which laws may affect whether a prepayment penalty can be collected or limit the amount that can be collected. We ceased purchasing Prepayment Penalty Mortgages on August 1, 2014.

- A **Reduced Minimum Servicing Mortgage** has a minimum servicing fee level that is below 0.25% per annum of the principal balance of a Mortgage, which is the prevailing minimum servicing fee level for Mortgages we acquire. These Mortgages may experience different prepayment rates than Mortgages to which our prevailing minimum servicing fee level applies and which have similar interest rates or are included in PCs with similar pass-through rates.
- A **Reinstated FHA/VA Mortgage** is insured by the Federal Housing Administration or guaranteed by the Department of Veterans Affairs and has been repurchased by the seller from pools backing mortgage-backed securities guaranteed by the Government National Mortgage Association due to delinquencies and in accordance with its policies. However, we do not acquire such Mortgages unless the delinquency has been cured and no other default exists, all payments under such a Mortgage have been made for a minimum of 30 days preceding its delivery to us or since its assumption by a qualified borrower, there has been no modification of any of the terms of the Mortgage, and the Mortgage is sold to us with recourse to the seller.
- A **Reinstated Mortgage** is a Conventional Mortgage that we have purchased from its related original PC Pool due to delinquencies and in accordance with our policies. As reported to us by the applicable servicers, at issuance of a PC backed by Reinstated Mortgages, (i) all payments under the Reinstated Mortgages will have been made for a minimum of four consecutive months through the month prior to securitization and no other default will exist and (ii) there will have been no modification of any of the terms of the Reinstated Mortgages. There can be no assurance that Reinstated Mortgages will remain current. Assuming that we do not change our current practices relating to delinquent Mortgages, if any of the Reinstated Mortgages become 120 or more days delinquent in the future and/or meet applicable criteria described under *Mortgage Purchase and Servicing Standards — Defaults and Delinquencies*, we could repurchase such Reinstated Mortgages from their PC Pools.
- A **Relocation Mortgage** is a mortgage loan made to a transferred or newly-hired employee to finance a home purchase at a new job location. The Relocation Mortgage usually requires an employer contribution to mortgage funding, which may be significant. These Mortgages usually are originated by agreement between the employer and the lender under a relocation program administered by the employer or its agent, although sometimes they are made on a “spot” basis rather than under an established relocation program.

- A **Second Mortgage** is a Mortgage that is subordinate only to a first lien on the mortgaged property, which, in the case of Second Mortgages we acquire, must be occupied by the borrower as the borrower’s principal residence.
- A **Simple Interest Mortgage** is a Mortgage in which interest is computed on the basis of a year of 365 or 366 days and actual days elapsed. For other Mortgages, interest is typically computed on the basis of a year of 360 days consisting of twelve 30-day months. Each monthly payment of a Simple Interest Mortgage is applied first to the interest that has accrued as of the date of payment, with the remainder being applied to principal. The total amount of interest that accrues on a Simple Interest Mortgage over its life may exceed or be less than the amount that accrues on other Mortgages having the same interest rate and maturity, depending on the timing of the borrower’s payments. Moreover, there is no grace period on a Simple Interest Mortgage if the borrower makes a monthly payment after the due date, while most other Mortgages provide a grace period, typically of 15 days, during which additional interest does not accrue on a late payment. The borrower under a Simple Interest Mortgage pays additional interest if a payment is not timely made and less interest if a payment is made early.
- A **Super-Conforming Mortgage** is a Mortgage secured by a property located in a designated high-cost area with an original principal balance exceeding the base conforming loan limit (for 2018, \$453,100 for a one-family residence). The loan limits for Super-Conforming Mortgages are established by the Reform Act (for 2018, the maximum is generally \$679,650 for a one-family residence). For properties in Alaska, Hawaii, Guam and the U.S. Virgin Islands, different loan limit calculations may apply. We purchase fixed-rate 15-, 20- and 30-year Super-Conforming Mortgages and Super-Conforming Mortgages that are ARMs (“**Super-Conforming ARMs**”). Thirty-year fixed-rate Super-Conforming Mortgages and ARMs may be Initial Interest Mortgages that permit borrowers to pay only accrued interest for 10 years followed by a 20-year period over which principal is fully amortized. (We ceased purchasing Initial Interest Mortgages on September 1, 2010.) The Super-Conforming Mortgages we purchase may be geographically concentrated. See *Mortgage Purchase and Servicing Standards — Mortgage Purchase Standards*.

### ***Mortgages That Have Been Modified That We Subsequently Securitize***

From time to time, we repurchase Mortgages from their related PCs. We repurchase most Mortgages from their related PCs when they are 120 or more days delinquent. See *Mortgage Purchase and Servicing Standards — Defaults and Delinquencies*. We hold these repurchased Mortgages in our mortgage-related investments portfolio. We thereafter may modify the Mortgages to assist at-risk borrowers, to stabilize mortgage markets and to mitigate our losses. For the same reasons, we may also modify Mortgages when they are fewer than 120 days delinquent or in imminent default and, upon modification, repurchase them from their related PCs. We may also modify Mortgages that we have purchased for cash that become delinquent or are in imminent default before we have the opportunity to securitize those Mortgages. Mortgages described above are referred to as “**Modified Mortgages.**”

Modified Mortgages may include Mortgages that we have modified pursuant to our HAMP, non-HAMP or Flex Modification initiatives. Our HAMP initiative is described under *Freddie Mac — Our Relief Refinance and Mortgage Modification Programs — HAMP initiative*. Our non-HAMP initiatives include (i) our discontinued “classic” program, (ii) our discontinued non-HAMP standard modification



program, which is described under *Freddie Mac — Our Relief Refinance and Mortgage Modification Programs — Non-HAMP Standard Modification initiative*, (iii) our discontinued streamlined modification initiative, (iv) our discontinued alternative modification initiative and (v) our HAMP backup initiative. Modifications under (i), (iii), (iv) and (v) above are described as follows:

- Under our discontinued “classic” program, modifications to the Mortgages included capitalization of interest and non-interest arrearages that the borrower could not pay and may have included extensions of the term of the Mortgage and reductions in interest rate, but did not include forbearance or reductions of principal balances and borrower trial periods.
- Under our discontinued streamlined modification initiative, we offered modifications to certain borrowers who were at least 90 days delinquent. These borrowers were not required to apply for assistance or provide income or hardship documentation. However, they must have completed a trial period of at least three months prior to being offered a permanent modification, which generally provided the same modification terms and servicer incentives as the non-HAMP standard modification. See *Freddie Mac — Our Relief Refinance and Mortgage Modification Programs — Non-HAMP Standard Modification initiative*. The streamlined modification initiative was implemented in July 2013 (with earlier adoption permitted).
- The terms of the modifications under our alternative modification initiative generally were similar to those under our streamlined modification initiative; however, we generally offered the alternative modification to borrowers who were five to twenty-four months delinquent on their Mortgages. The alternative modification initiative was a one-time initiative and the final modification agreement must have been entered into no later than January 1, 2014.
- Certain borrowers who initially qualified for a HAMP modification and who made timely payments during a HAMP trial period, but who, because of income verification or other reasons, subsequently failed to qualify under the HAMP initiative, could have their Mortgages modified under our HAMP backup initiative (which is a non-HAMP initiative). Modifications under our HAMP backup initiative generally have terms similar to modifications under the HAMP initiative.

Our Flex Modification initiative replaced our non-HAMP standard and streamlined modification initiatives effective October 1, 2017, with earlier adoption permitted. HAMP expired in December 2016. See *Freddie Mac — Our Relief Refinance and Mortgage Modification Programs — Flex Modification Initiative*.

We may securitize fixed-rate Modified Mortgages, whose terms do not include Step Rate Increases, which were modified under (i) our HAMP initiative, (ii) our classic, standard, streamlined, alternative, HAMP backup initiatives (all of which are non-HAMP in nature) or (iii) Flex Modification Initiative in “**Modified Fixed Rate PCs.**” Modified Fixed Rate PCs will not include any Modified Mortgages with Step Rate Increases.

We may securitize Modified Mortgages with Step Rate Increases, which were modified under (i) our HAMP initiative or (ii) our HAMP backup initiative, in “**Modified Step Rate PCs.**” At the time of issuance of a Modified Step Rate PC, up to 10%, by unpaid principal balance, of the Modified Mortgages backing such PC may consist of fixed-rate Modified Mortgages.

As reported to us by the applicable servicers, at issuance of Modified Fixed Rate PCs and Modified Step Rate PCs, Modified Mortgages backing such PCs will have been current for at least six consecutive months through the month prior to securitization. However, there can be no assurance that the Modified Mortgages backing Modified Fixed Rate PCs and Modified Step Rate PCs will remain current. In addition, Modified Mortgages that include Step Rate Increases, which back Modified Step Rate PCs, may have a greater risk of borrower delinquency and may experience faster prepayment rates during the periods when the interest rate of these Modified Mortgages is increasing. Step Rate Increases commenced in 2014 for certain Modified Mortgages with Step Rate Increases. For information regarding the chronological distribution of Modified Mortgages with Step Rate Increases, see the Incorporated Documents. Assuming that we do not change our current practices relating to delinquent Mortgages, if any Modified Mortgage backing Modified Fixed Rate PCs or Modified Step Rate PCs becomes 120 or more days delinquent in the future and/or meets applicable criteria described under *Mortgage Purchase and Servicing Standards — Defaults and Delinquencies*, we could repurchase such Modified Mortgage from its related Modified Fixed Rate PC Pool or Modified Step Rate PC Pool, which repurchase would have the effect of a prepayment in full of such Modified Mortgage. We provide several unique pool-level and loan-level disclosures in the related Pool Supplement and on our internet website, respectively, for the Modified Fixed Rate PCs and Modified Step Rate PCs.

We offer a streamlined Flex Modification to certain borrowers who are delinquent under a Modified Mortgage with Step Rate Increases. See *Freddie Mac — Our Relief Refinance and Mortgage Modification Programs — Flex Modification Initiative*.

We will repurchase from related Modified Step Rate PCs any Modified Mortgages with Step Rate Increases that are further modified as described above. Such repurchases will result in a prepayment in the amount of the then unpaid principal balance of each such Mortgage. We cannot predict the number of borrowers with Modified Mortgages with Step Rate Increases who will qualify for, and complete, a Flex Modification of their Modified Mortgages with Step Rate Increases. Correspondingly, we cannot predict the potential resulting rate of repurchases. However, the number of Modified Mortgages with Step Rate Increases that are further modified under the Flex Modification initiative and the resulting potential increase in prepayments may be material.

## **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.

In addition to the standards in the Freddie Mac Act, which we cannot change, we seek to manage the credit risk with respect to our Mortgage purchases by, among other items, using our underwriting and quality control processes. See the Incorporated Documents for more information on our policies and procedures to manage credit risk with respect to our Mortgage purchases.

We use a delegated underwriting process in connection with our acquisition of Mortgages whereby we set eligibility and underwriting standards and sellers represent and warrant to us that Mortgages they sell to us meet these standards. Our eligibility and underwriting standards evaluate Mortgages based on a number of characteristics.

Limits are established on the purchase of mortgages with certain higher risk characteristics. These limits are designed to balance our credit risk exposure with the facilitation of affordable housing in a responsible manner. Our purchase guidelines generally provide for a maximum original LTV ratio of 95%, a maximum LTV ratio of 80% for cash-out refinance mortgages and no maximum LTV ratio for fixed-rate Relief Refinance and Enhanced Relief Refinance Mortgages. In March 2015, we began to purchase certain Mortgages with LTV ratios up to 97% under an initiative designed to serve a targeted segment of creditworthy borrowers.

The majority of our purchase volume is evaluated using our own proprietary underwriting software (Loan Product Advisor (“LPA”)), the seller’s software or Fannie Mae’s comparable software. The performance of non-LPA loans is monitored to ensure compliance with our risk appetite.

We employ a quality control process to review mortgage underwriting documentation for compliance with our standards using both random and targeted samples. We also perform quality control reviews of many delinquent mortgages and review all Mortgages that have resulted in credit losses before seller representations and warranties are relieved. Sellers may appeal ineligible loan determinations prior to repurchase of the mortgage.

We have made changes in recent periods to standardize our quality control process and facilitate more timely reviews of our Mortgages. These changes are designed to identify breaches of seller representations and warranties early in the life of the Mortgage. We also implemented new tools, such as our proprietary Quality Control Advisor, to provide greater transparency into our customer quality control reviews.

In July 2016, we launched our Loan Advisor Suite, which is a set of integrated software applications designed to give lenders a way to originate and deliver high quality Mortgages to us and to actively monitor representation and warranty relief earlier in the origination process. In 2017, we enhanced our Loan Advisor Suite to offer limited relief of seller representations and warranties for certain Mortgages that satisfy new automated controls related to appraisal quality, collateral valuation, borrower assets and borrower income. In general, limited representation and warranty relief is offered when information provided by sellers is validated against independent data sources. Further enhancements to the Loan Advisor Suite are expected in 2018. These evolving technologies are designed to establish the Mortgage manufacturing quality required for greater purchase certainty.

If we discover that the seller representations or warranties related to a Mortgage were breached (i.e., that contractual standards were not followed), we can exercise certain contractual remedies to mitigate our actual or potential credit losses. These contractual remedies include the ability to require the seller or servicer to repurchase the Mortgage, reimburse us for losses realized with respect to the Mortgage after consideration of any other recoveries, and/or indemnify us. At the direction of FHFA, we implemented a new remedies framework for the categorization of Mortgage origination defects for Mortgages with settlement dates on or after January 1, 2016. Among other items, the framework provides that “significant defects” will result in a repurchase request or a repurchase alternative, such as recourse or indemnification.

At the direction of FHFA, we made a number of changes to our selling and servicing representation and warranty framework for our Mortgages. FHFA may require further changes to the framework in the future. Under the revised selling framework, we relieve sellers of repurchase

obligations for breaches of certain selling representations and warranties for certain types of mortgages, including:

- Mortgages that have established an acceptable payment history for 36 months (12 months for Relief Refinance Mortgages) of consecutive, on-time payments after purchase, subject to certain exclusions; and
- Mortgages that have satisfactorily completed a quality control review.

As part of the revised framework, we also made changes that provide additional clarity on life-of-Mortgage exclusions from repurchase relief for breaches of certain selling representations and warranties. These changes are designed to provide sellers with a higher degree of certainty regarding their repurchase exposure and liability on loans sold to us.

In February 2016, at the direction of FHFA, we published guidelines for a new independent dispute resolution process for alleged breaches of selling or servicing representations and warranties on our Mortgages. Under the new process, a neutral third party renders a decision on demands that remain unresolved after the existing appeal and escalation processes have been exhausted.

We summarize below certain of our Mortgage purchase standards and servicing policies. This summary, however, is qualified in its entirety by any applicable mortgage purchase documents, servicing agreements and supplemental disclosures.

### ***Mortgage Purchase Standards***

The Freddie Mac Act establishes requirements for and limitations on the Mortgages we may purchase, as described below. We purchase and securitize “single-family mortgages,” which are mortgages that are secured by one- to four-family properties.

The Freddie Mac Act places an upper limitation, called the “conforming loan limit,” on the original principal balance of Mortgages we purchase. The conforming loan limit is determined annually based on changes in FHFA’s housing price index. Any decreases in the housing price index are accumulated and used to offset any future increases in the housing price index so that loan limits do not decrease from year-to-year. The base conforming loan limit for a one-family residence has been set at \$453,100 for 2018, and was set at \$424,100 for 2017 and \$417,000 from 2006 to 2016. As discussed below, certain higher loan limits apply in certain “high-cost” areas. Higher limits also apply to two- to four-family residences.

As part of the Stimulus Act, the conforming loan limits were increased for Mortgages originated in certain “high-cost” areas from July 1, 2007 through December 31, 2008 to the higher of the applicable 2008 conforming loan limits (\$417,000 for a one-family residence) or 125% of the median house price for a geographic area, not to exceed \$729,750 for a one-family residence. We began purchasing these Jumbo Conforming Mortgages in April 2008.

The Reform Act permanently increased the conforming loan limits for Mortgages originated in “high-cost” areas — where 115% of the median house price exceeds the otherwise applicable conforming loan limit. Under the Reform Act’s permanent “high-cost” area formula, the loan limit is the lesser of (i) 115% of the median house price or (ii) 150% of the conforming loan limit (for 2018, \$679,650 for a one-family residence).

However, a series of legislative acts temporarily restored the Stimulus Act’s “high-cost” area loan limit to up to \$729,750. For Mortgages originated in 2009, the American Recovery and Reinvestment

Act of 2009 (the “**Recovery Act**”) ensured that the loan limits for the “high-cost” areas determined under the Stimulus Act did not fall below their 2008 levels. Additional legislation extended the “high-cost” area loan limits established by the Recovery Act for Mortgages originated through September 30, 2011.

The conforming loan limits are 50% higher for Mortgages secured by properties in Alaska, Guam, Hawaii and the U.S. Virgin Islands.

In general, an LTV ratio is a ratio of (a) the total principal balance of a Mortgage to (b) the value of the property securing the Mortgage. Under the Freddie Mac Act, we may not purchase a Conventional Mortgage if, at the time of purchase, the outstanding principal balance of the Mortgage exceeds 80% of the value of the mortgaged property unless we have one or more of the following credit protections, which are designed to offset any additional credit losses that may be associated with higher LTV ratios: mortgage insurance from a mortgage insurer that we determine is qualified on the portion of the outstanding principal balance above 80%; a seller’s agreement to repurchase or replace (for periods and under conditions as we may determine) any Mortgage that has defaulted; or retention by the seller of at least a 10% participation interest in the Mortgage. Under the MHA Program, FHFA will allow Mortgages to be refinanced without obtaining additional credit enhancement in excess of that already in place for that Mortgage. Consequently, if the original Mortgages did not have credit enhancements, the resulting Relief Refinance and Enhanced Relief Refinance Mortgages with LTV ratios that exceed 80% will not be required to bear the credit protections described above.

Except for certain Relief Refinance and Enhanced Relief Refinance Mortgages, which may have LTV ratios that can exceed 125%, the Mortgages we purchase generally do not have LTV ratios exceeding 95%. However, we may reduce or increase the required LTV ratios based on a number of factors, such as the borrower’s intended use of Mortgage proceeds, the type of property securing the Mortgage, the existence of special financing arrangements and the market in which the mortgaged property is located. We may from time to time purchase and pool Mortgages, in addition to Relief Refinance Mortgages, having LTV ratios in excess of 95% in order to enable borrowers to purchase homes or refinance existing mortgages and pay certain related expenses. In March 2015, we began to purchase Mortgages with LTV ratios up to 97%, under an initiative designed to serve a targeted segment of creditworthy borrowers. However, except for Relief Refinance and Enhanced Relief Refinance Mortgages, we currently do not expect to purchase and pool Mortgages with LTV ratios exceeding 105%. We pool Relief Refinance and Enhanced Relief Refinance Mortgages with LTV ratios exceeding 105% separately from our other Mortgages. See *Freddie Mac — Our Relief Refinance and Mortgage Modification Programs*.

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, LTV ratio, loan size and age, geographic distribution, weighted average interest rate, purpose or source of origination and credit scoring. We have discretion to determine whether the Mortgages we purchase will be securitized or held in our portfolio.

FHA/VA Mortgages are underwritten using the criteria specified by the Federal Housing Administration, the Department of Veterans Affairs, Rural Development or HUD, the federal government agencies which insure or guarantee them, rather than our underwriting standards. For example, FHA/VA Mortgages may have LTV ratios in excess of 95%.

### ***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. In 2015, at the direction of FHFA, we and Fannie Mae implemented changes to our single-family seller and servicer eligibility requirements. These changes included revisions to net worth requirements, adoption of new capital and liquidity requirements and enhancements to certain servicer operational requirements.

When we purchase a Mortgage, we rely on 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 qualified professionals, 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 originator's compliance with applicable state and federal laws, including state anti-predatory lending statutes and other laws that protect borrowers.

Our Mortgage custodians check certain stated terms of the Mortgage documents, but we generally do not independently verify the accuracy of the seller's representations and warranties. See — *General* for more information regarding our underwriting processes and representation and warranty framework.

### ***Servicing Responsibilities and Compensation***

As Administrator, we generally supervise servicing of the Mortgages according to the policies in our Single-Family Seller/Servicer Guide (the “**Guide**”) and in accordance with the Trust Agreement. Each servicer is required to perform all services and duties customary to the servicing of mortgages, either directly or through approved subservicers. Those responsibilities include all activities concerning the calculation, collection and processing of Mortgage payments and related borrower inquiries, as well as all Mortgage administrative responsibilities, including claims collection, workouts, foreclosures and reports. We monitor a servicer's performance through periodic and special reports and inspections to ensure it complies with its obligations.

Servicers remit payments to us under various arrangements, but these do not affect the timing of payments to Holders of PCs.

Servicers receive fees for their services. We generally require that servicers retain a servicing fee of at least 0.25% of the principal balance of the Mortgages they service. However, we may permit lower servicing fee rates for certain servicers or for certain PC Pools. See *Description of the Mortgages — Special Mortgage Characteristics*.

### ***Prepayments***

A borrower may make a full or partial prepayment on a Mortgage at any time without paying a penalty, except for Prepayment Penalty Mortgages. A borrower may partially prepay a Mortgage in order to reduce the number or size of future monthly payments, provided that the Mortgage is current and the prepayment will not result in an interest rate change or an extension of the term. A borrower may fully prepay a Mortgage for several reasons, including an early payoff, a sale of the related mortgaged property or a refinancing of the Mortgage. We pass through all prepayments to the Holders of the related PCs.

### ***Mortgage Repurchases***

As Administrator, we may repurchase Mortgages from PC Pools in certain limited situations. In determining whether a Mortgage should be repurchased, we consider various factors, including whether the repurchase will reduce our administrative costs or our possible exposure under our guarantees and our statutory and other legal obligations.

We always repurchase a convertible ARM from its PC Pool when the borrower exercises its option to convert it to a fixed-rate Mortgage.

In addition, we may require or permit the seller or servicer of a Mortgage to repurchase any Mortgage or (within six months of the issuance of the related PCs) substitute for any Mortgage a Mortgage of comparable type, unpaid principal balance, remaining term and yield, if there is a material breach of a representation or warranty by a seller or servicer as to that Mortgage. Substitutions of Mortgages typically do not occur.

Mortgage repurchases may also occur due to refinancings and modifications of Mortgages (including under our Relief Refinance and Enhanced Relief Refinance Programs and mortgage modification programs), defaults and delinquencies (which may increase during periods of economic recession), mortgage credit constriction, stricter underwriting standards that may inhibit refinancings, natural disasters, declining property values or increased use of secondary financing or as a result of other factors that decrease borrowers' equity. See *Freddie Mac — Our Relief Refinance and Mortgage Modification Programs* and *Risk Factors — Prepayment and Yield Factors — Substantial repurchases of seriously delinquent Mortgages from PC Pools could materially affect PC prepayment speeds, — Substantial repurchases of Mortgages from PC Pools due to modifications, refinancings and other loss mitigation programs resulting from default or imminent default could materially affect PC prepayment speeds* and *— We have a backlog of repurchase requests to sellers and servicers and their fulfillment could affect PC prepayment speeds, Risk Factors — Credit Factors, Description of the Mortgages — Mortgage Purchase and Servicing Standards — Defaults and Delinquencies* and *The Trust Agreement — Repurchase and Substitution of Mortgages*.

A Mortgage 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 PC Holders on the appropriate Payment Date.

In addition to representations and warranties for underwriting, our servicers are required to service loans in accordance with our guidelines. Similar to seller violations, we can require servicers to repurchase loans or provide alternative remedies in the case of servicing violations. For certain servicing violations, we typically first issue a notice of defect and allow the servicer a period of time to correct the problem. If the servicing violation is not corrected, we then may issue a repurchase request. See *— General* for more information regarding our representation and warranty framework.

### ***Defaults and Delinquencies***

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

- Approve an assumption of a 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 or a refinancing of the Mortgage, including under our mortgage modification and Relief Refinance Programs. See *Freddie Mac — Our Relief Refinance and Mortgage Modification Programs*.
- Pursue a pre-foreclosure contract for sale of the underlying property or other foreclosure alternative transaction.
- 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 in accordance with the provisions of our Guide. However, we also continue to pursue alternative measures, including Mortgage modifications, 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 pays 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.

Generally we repurchase under our guarantees or, as Administrator, require or permit a seller or servicer of a Mortgage to repurchase, any Mortgage:

(A) If that Mortgage is 120 days or more delinquent and:

- the Mortgage has been modified,
- a foreclosure sale occurs,
- the Mortgage has been delinquent for 24 months, or
- the cost of guarantee payments to Holders, including advances of interest at the PC Coupon, exceeds the expected cost of holding the nonperforming Mortgage in our retained portfolio; or

(B) If we determine, on the basis of information from the related borrower or servicer, that loss of ownership of the mortgaged property is likely or default is imminent due to borrower incapacity, death or hardship or other extraordinary circumstances that make future payments on the Mortgage unlikely or impossible.

We currently repurchase substantially all Mortgages that are 120 days or more delinquent underlying our issued PCs. We effect these repurchases primarily because the cost of guarantee



payments to the PC Holders for most nonperforming Mortgages exceeds the cost of holding these nonperforming Mortgages in our mortgage-related investments portfolio. We expect to continue to repurchase those Mortgages that become 120 days delinquent if it is economically beneficial to do so. We may depart from these repurchase practices, however, in the case of natural disasters. See *Risk Factors — Prepayment and Yield Factors — Substantial repurchases of seriously delinquent Mortgages from PC Pools could materially affect PC prepayment speeds.*

In certain cases in which (i) the post-modification monthly principal and interest payment, (ii) the interest rate and (iii) the term to maturity of a modified Mortgage remain the same as the corresponding pre-modification terms, we may elect not to repurchase the modified Mortgage from its related PC. In those instances, any delinquent payments will become non-interest bearing and their payment by the borrower will be deferred until the earlier of the maturity date of the modified Mortgage or its earlier payoff through a curtailment payment or refinancing or upon transfer or sale of the mortgaged property. However, payments on the modified Mortgage of scheduled principal and interest, in the case of Gold PCs, or scheduled interest, in the case of ARM PCs, will continue to be made to PC Holders in accordance with Freddie Mac’s guarantees. (Loan level disclosures for any Modified Fixed Rate PC in which a Modified Mortgage is re-modified and is not repurchased from the Modified Fixed Rate PC will reflect any forbore balance.)

From time to time, we reevaluate our delinquent loan repurchase practices and alter them if circumstances warrant.

Sometimes the unpaid principal balance of a Mortgage exceeds the current value of the underlying property. Bankruptcy courts are permitted, under limited circumstances, to approve a borrower’s plan reducing the borrower’s obligation under such a Mortgage to the current value of the property and to treat the remaining amount of the 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.

The Incorporated Documents provide information regarding our overall Mortgage delinquency, default and foreclosure experience.

### ***Transfer and Assumption Policies***

Most of the fixed-rate Conventional Mortgages that we acquire are not assumable because they contain “due-on-transfer” clauses permitting automatic acceleration of the Mortgage debt when the mortgaged property is transferred. As Administrator, we generally require servicers to enforce these due-on-transfer clauses and to demand full payment of the remaining principal balance of a fixed-rate Mortgage to the extent permitted under the mortgage documents and applicable state and federal law. We allow assumptions of fixed-rate Mortgages in limited circumstances, such as transfers between certain related persons. ARMs that we purchase are Assumable Mortgages.

## **CREDIT RISK RETENTION**

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

## 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.

Gold PCs are backed by (i) fixed-rate, level payment, fully amortizing Mortgages, (ii) fixed-rate Initial Interest Mortgages, or (iii) Modified Mortgages with or without Step Rate Increases. ARM PCs are backed by ARMs, including adjustable rate Initial Interest Mortgages.

Each PC represents an undivided beneficial ownership interest in the Mortgages contained in its related PC Pool. Once we have deposited an identified Mortgage in 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 minimum original principal balance for a PC Pool is generally \$1,000,000 for Gold PCs and \$500,000 for ARM PCs. ARM PCs backed by Initial Interest Mortgages delivered under our Guarantor Program or Gold PCs backed by Initial Interest Mortgages delivered under our MultiLender Swap Program are not subject to a minimum original principal balance. We may change these minimum PC Pool sizes at any time. As described in *Certain Federal Income Tax Consequences*, we will make elections to treat certain beneficial interests in Mortgages in PC Pools as part of a REMIC.

### PC Pool Formation

We may purchase Mortgages from eligible sellers under various purchase programs. We purchase most Mortgages under our **“Guarantor Program,”** in which we purchase Mortgages from a single seller and, as Depositor, transfer and deposit those Mortgages into a PC Pool established pursuant to the Trust Agreement and applicable Pool Supplement. As Administrator, on behalf of the 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 also purchase Mortgages for cash under our **“Cash Program.”** Mortgages purchased under our Cash Program are typically (i) held by us initially in our portfolio, (ii) transferred and deposited by us, as Depositor, into a PC Pool in exchange for PCs that we sell to third parties as PCs for cash through an auction or (iii) transferred and deposited by us, as Depositor, into a PC Pool together with other Mortgages that we purchase under our **“MultiLender Swap Program.”** Under our Multilender Swap Program, we (i) purchase Mortgages from various sellers, (ii) as Depositor, transfer and deposit those Mortgages into a PC Pool and (iii) as Administrator, on behalf of the Trustee, issue PCs from that PC Pool representing undivided interests in the purchased Mortgages. To the extent Mortgages purchased under our Cash Program are pooled with Mortgages purchased under our Multilender Swap Program, we may sell part of the resulting PCs to third parties for cash through an auction.

We acquire Mortgages under these programs on a daily basis in accordance with the terms contained in our applicable agreements with sellers. Our issuance of PCs in exchange for Mortgages is conditioned on the seller’s compliance with the applicable terms and conditions of our applicable mortgage purchase documents, including the seller’s obligations to timely deliver acceptable Mortgages in the agreed upon amount, and to make available to investors all required offering documents.

As Administrator, Freddie Mac currently assigns a six-character, unique numeric or alphanumeric designation, or **“PC Pool Number,”** to each PC Pool. The first two (or three, in some instances)

characters of a PC Pool Number are known as its “**Prefix.**” The Prefix indicates some basic information about the PC Pool, such as its term and the general type of Mortgages within the PC Pool. We have attached as *Appendix II* a list of frequently used Prefixes as of the date of this Offering Circular. Prefixes are subject to change (including modification, discontinuance or the addition of new ones) at any time. You should refer to our internet website for the most current list of Prefixes.

### **General Pooling Criteria**

Some of our general pooling practices for Gold PC Pools and ARM PC Pools are summarized below. Our pooling practices are subject to change. We may also grant exceptions to these practices in our sole discretion.

#### ***Gold and ARM PC Pools***

- Conventional Mortgages are pooled separately from FHA/VA Mortgages.
- Initial Interest Mortgages are pooled separately from other Mortgages. We ceased purchasing Initial Interest Mortgages on September 1, 2010.
- Prepayment Penalty Mortgages are generally pooled separately from other Mortgages. A PC may be backed by Prepayment Penalty Mortgages with different prepayment penalty features. Under certain circumstances, Mortgages with waived prepayment penalties may be pooled with Mortgages that can be prepaid at any time without penalty. We ceased purchasing Prepayment Penalty Mortgages on August 1, 2014.

#### ***Gold PC Pools***

- Generally, the interest rates of the Mortgages in a fixed-rate Gold PC Pool are within a range from (a) the PC Coupon plus any minimum required servicing fee through (b) 250 basis points above the PC Coupon.
- Twenty-year Mortgages may be pooled with 30-year Mortgages and each type may be pooled separately.
- Ten-year Mortgages may be pooled with 15-year Mortgages and each type may be pooled separately.
- Prior to December 1, 2010, Jumbo-Conforming Mortgages were pooled separately from other conforming Mortgages. On or after December 1, 2010, Jumbo-Conforming Mortgages may be pooled with Super-Conforming and other conforming Mortgages.
- In general,
  - Cooperative Share Mortgages,
  - Extended Buydown Mortgages or
  - Relocation Mortgages

may constitute up to 10% of the original principal balance of a Gold PC Pool without any special designation or disclosure to reflect that fact, so long as these types of Mortgages, in combination, do not constitute more than 15% of the original principal balance of the PC Pool.

- Super-Conforming Mortgages may constitute up to 10% of the original principal balance of a Gold PC Pool that is not backed by Mortgages with special characteristics, without any special designation or disclosure to reflect that fact.
- High LTV Mortgages will be pooled separately from other Mortgages.
- Modified Mortgages are pooled separately from other Mortgages.

### ***ARM PC Pools***

- Usually, the Mortgages in an ARM PC Pool adjust based on the same Index and have the same initial and periodic adjustment caps, adjustment frequency and lookback period.
- We usually pool Hybrid ARMs only with other Hybrid ARMs having the same original initial fixed-rate periods.
- We pool Initial Interest ARMs only with other Initial Interest ARMs having the same interest only period. We ceased purchasing Initial Interest Mortgages on September 1, 2010.
- Convertible ARMs still in their convertible periods may be pooled only with other convertible ARMs.
- Jumbo-Conforming ARMs and Super-Conforming ARMs may be pooled with other conforming ARMs of the same type.

### **Pooling Criteria for Mortgages with Special Characteristics**

Some of our Mortgages have special characteristics, as described in *Description of the Mortgages — Special Mortgage Characteristics*. Typically, we pool these Mortgages only with Mortgages having the same characteristics, and they are identified in the applicable Pool Supplement. Some of these Mortgages, such as Cooperative Share Mortgages, have special characteristics that do not change and that generally result in their being pooled separately on a permanent basis. Others, when their special characteristics no longer apply, may be pooled with the types of Mortgages that they then resemble. For example, convertible ARMs, which are typically convertible to a fixed interest rate during a specified conversion window, may be pooled with non-convertible ARMs if they are pooled after their conversion window has expired.

### **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. A “**Pool Factor**” is an exact decimal rounded (or, prior to the Pool Factors for the month of August 2016, truncated rather than rounded) to eight places which, when multiplied by the original principal amount of a PC, will equal the remaining principal amount of the PC. The Pool Factor for any month reflects the remaining principal amount after giving effect to the principal 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. The Pool Factor for a PC Pool for the month of its formation is always 1.00000000. 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.

**“Payment Capped ARM PCs,”** which are backed by Payment Capped ARMs, may experience negative amortization, as described in *Description of the Mortgages — Adjustable Rate Mortgages (ARMs)*. When negative amortization occurs, we will indicate this in the following month:

- By publishing a Negative Amortization Factor for the PC Pool.
- By including a corresponding amount in the related Pool Factor.

A **“Negative Amortization Factor”** is an exact decimal rounded (or, prior to the Negative Amortization Factors for the month of August 2016, truncated rather than rounded) to eight places that reflects the amount of deferred interest added to the principal balances of the Mortgages in a PC Pool in the preceding month. When negative amortization has occurred, we will make interest payments to you at the applicable PC Coupon, less the aggregate deferred interest indicated by the Negative Amortization Factor published in the previous month. We make Negative Amortization Factors available at the same time and in the same manner as the related 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 without a Negative Amortization Factor.
- The difference between its Pool Factors for the two preceding months, plus its Negative Amortization Factor, if any, for the preceding month, in the case of a Payment Capped ARM PC.

For any Payment Date, you can calculate interest payments on a Gold PC by multiplying its fixed PC Coupon by 1/12th, and then multiplying that amount by the principal balance of the PC immediately before that Payment Date (reflected by its Pool Factor published in the immediately preceding month), and you can calculate interest payments on an ARM PC (assuming no deferred interest) by multiplying its PC Coupon published for the applicable Accrual Period by 1/12th, and then multiplying that amount by the principal balance of the PC immediately preceding that Payment Date (reflected by its Pool Factor published in the second preceding month). For a Payment Capped ARM PC, the amount of interest paid will be reduced by the amount of any deferred interest.

### ***Monthly Reporting Periods***

Each month, servicers report payments to us on the Mortgages in a PC Pool for the applicable one-month reporting period (a **“Monthly Reporting Period”**). In the case of all payments other than full prepayments, the Monthly Reporting Period is generally from the 16th of a month through the 15th of the next month. Accordingly, for any Payment Date, the applicable Monthly Reporting Period in the case of such payments generally ends on:

- The 15th of the month preceding that Payment Date for Gold PCs.
- The 15th of the second month preceding that Payment Date for ARM PCs.

In the case of full prepayments on the Mortgages (including prepayments resulting from the repurchase of the Mortgages), the Monthly Reporting Period is generally the preceding or second preceding calendar month. Accordingly, for any Payment Date, the applicable Monthly Reporting Period in the case of such full prepayments 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.

### **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 day of each month or, if the 15th day 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 full prepayments reported through the second 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 actual principal balance, interest rate and remaining term to maturity of each Mortgage in the Gold PC Pool. Our calculation of scheduled principal may not reflect actual payments on the Mortgages. For example, we calculate scheduled principal payments on Gold PCs backed by Biweekly Mortgages without regard to their special payment characteristics, which periodically result in partial prepayments. A Holder of such a PC receives payments once a month, regardless of how many payments the borrower makes in a month, in accordance with the payment calculations for Gold PCs.

### ***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 reported by servicers for the applicable Monthly Reporting Period, including any prepayments, and the principal amount of any Mortgage repurchased during the applicable Monthly Reporting Period, as well as any full prepayments reported through the second Business Day of the calendar month following that Monthly Reporting Period. Neither we nor servicers advance principal payments on ARM PCs in the event of delinquent payments on the related Mortgages. In the absence of reports from servicers, we do not 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. We compute interest on the basis of a 360-day year of twelve 30-day months. 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, as described below. We generally publish the applicable PC Coupon for ARM PCs for an Accrual Period on or about the fifth Business Day in the relevant month.

You can obtain the PC Coupons for ARM PCs for the current Accrual Period on our internet website or from Investor Inquiry as shown under *Additional Information*. Absent clear error, our determination of the applicable Index values and our calculation of the PC Coupon for each Accrual Period 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.

### ***ARM PCs***

ARM PCs have PC Coupons that are based on the weighted average of the interest rates of each Mortgage in the related PC Pool, less the rate equivalent to the servicing fees and guarantee fees applicable to each such Mortgage. The PC Coupon of an ARM PC is an exact decimal truncated to three places. *Description of the Mortgages — ARM Indices* describes the Indices most often used to

adjust ARMs and ARM PCs. To the extent the interest rate is modified and reduced for a Mortgage underlying an ARM PC, we only guarantee the timely payment of the modified interest rate and we are not responsible for any shortfalls between the original contractual interest rate and the modified interest rate. However, generally it has been our practice, and it is our current practice, to purchase substantially all Mortgages out of their PC Pools at the time of modification, including Mortgages underlying ARM PCs. Depending on circumstances, we can alter this practice at any time.

We calculate the PC Coupon of an ARM PC monthly and adjust it to reflect changes in the unpaid principal balances and interest rates of the related Mortgages. This monthly adjustment has no prescribed limit, although the related Mortgages will be subject to any applicable initial and periodic adjustment caps, lifetime ceilings and, in some instances, lifetime floors. The PC Coupon used to calculate the interest payment in a given month reflects the interest rates on the ARMs in the related PC Pool in effect for the preceding month. Except as described below, the minimum PC Coupon for an ARM PC as of any Payment Date is the “**PC Margin**,” which equals the weighted average of the Net Margins of the ARMs backing such ARM PC. The “**Net Margin**” of an ARM means the Mortgage Margin of such ARM less the rate equivalent to the servicing fees and guarantee fees applicable to such ARM. The “**Mortgage Margin**” of an ARM means the number of percentage points that is added to the current Index value to establish the new interest rate at each interest adjustment date for such ARM. However, in certain cases, the initial fixed interest rate for an ARM, before any adjustments in interest rate for the ARM have occurred, may be less than the Mortgage Margin applicable to such ARM. Because the PC Coupon for an ARM PC is based on the weighted average of the interest rates of each ARM in the related ARM PC Pool less the rate equivalent to the servicing fees and guarantee fees applicable to each such ARM, it is possible in these instances, during the period before interest rate adjustments for the ARMs backing the ARM PC have occurred, that the PC Coupon for an ARM PC could be less than the related PC Margin.

The interest rates of the Mortgages underlying an ARM PC may adjust in different months and some, all or none of the Mortgages 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 with different interest rates will affect the PC Coupon of an ARM PC. For example, if Mortgages with interest rates above the weighted average of the PC Pool are prepaid more frequently than Mortgages with interest rates at or below the weighted average, the weighted average of the interest rates in the PC Pool will decrease, and therefore the PC Coupon payable to Holders will be reduced.

ARM PCs backed by Hybrid ARMs that have the same initial fixed-rate period receive interest at a fixed PC Coupon until the ARMs begin to adjust. After that occurs, the PC Coupon on these PCs adjusts in the same manner as other ARM PCs.

The PC Coupon on a Payment Capped ARM PC is calculated in the same way as on other ARM PCs. When negative amortization occurs, however, a Holder receives interest at the PC Coupon, less accrued deferred interest, which is added to the principal balances of the related Payment Capped ARM PCs. Interest accrues afterwards on the outstanding principal balance, including the added deferred interest, at the applicable PC Coupon.

*See Risk Factors — Investment Factors — Uncertainty of the Future of LIBOR.*



## **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 (a) the preceding month for Gold PCs or (b) 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.

For Payment Capped ARM PCs, which are subject to negative amortization, our guarantee of principal includes, and our guarantee of interest excludes, any deferred interest added to the principal balances of the related Mortgages.

In addition, our guarantee covers any interest shortfalls on the PCs arising from reductions in Mortgage interest rates pursuant to application of the Servicemembers Civil Relief Act and similar state laws.

**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 any fees and charges paid by borrowers, such as late payment fees, prepayment penalties, fees payable upon exercise of an ARM conversion option and

review and transfer charges on assumptions. These amounts are not passed through to Holders. The amounts we retain are treated as 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. We have attached as *Appendix III* to this Offering Circular an example of a Pool Supplement for each of a PC backed by fixed-rate Mortgages and a PC backed by Hybrid ARMs. Definitions of terms we use in Pool Supplements can be found at [http://www.freddiemac.com/mbs/docs/pc\\_disclosure\\_glossary.pdf](http://www.freddiemac.com/mbs/docs/pc_disclosure_glossary.pdf). In some cases, a Pool Supplement may not include all of the information specified in *Appendix III*, and in other cases, additional information or legends may be included.

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.

### **Monthly Reporting of Pool-Level Data**

Each month, in addition to the Pool Factors, as Administrator, we make available on our internet website certain updated information on a pool-level basis as to each PC Pool. Generally, this information corresponds to the information provided in the Pool Supplement for the relevant PC Pool to the extent such original information changes over time. In some cases, our monthly updates may not include all of that information, and in other cases, additional information or legends may be included. If the information on our internet website as to a PC Pool is inconsistent with information in the related Pool Supplement, you should rely on the updated information on the website as to the PC Pool it describes. We may change our practices relating to our monthly updating of PC Pool data at any time.

### **Loan-Level Data**

Based on information furnished by sellers of Mortgages, as Administrator, we provide on our internet website certain data for each Mortgage underlying PCs issued on or after December 1, 2005. Based on information furnished by servicers of Mortgages, since August 2006 we have provided on our internet website monthly updates of certain of the loan-level data for these PCs. We may not have independently verified information furnished to us by the sellers and servicers of the Mortgages and make no representations or warranties concerning the accuracy or completeness of that information. We also furnish on our internet website information concerning the methodologies we use to calculate loan-level data and statistical information in the Pool Supplement. Some of these methodologies incorporate assumptions as to permitted Mortgage characteristics and variables therein. As a result, in some cases the application of these methodologies could result in minor differences between the actual characteristics of a given Mortgage and the reported characteristics. In addition, we may change our practices relating to the loan-level data 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 that PCs are not represented by certificates. The regulations governing our book-entry securities 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 alphanumeric designation assigned by the CUSIP Service Bureau, 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.

### ***Holder***

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.
- Prepayments resulting from the repurchase of Mortgages from a PC Pool due to defaults, delinquencies, refinancings and modifications (including under our Relief Refinance and mortgage modification programs), inaccurate representations and warranties made by sellers or servicers or other factors. See *Freddie Mac — Our Relief Refinance and Mortgage Modification Programs*. See also *Risk Factors — Prepayment and Yield Factors*.

Mortgages may be voluntarily prepaid in full or in part at any time, in most cases without payment of a penalty.

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 number of borrowers and Mortgages that qualify to be refinanced or modified under our Relief Refinance, Enhanced Relief Refinance and mortgage modification programs or otherwise. See *Freddie Mac — Our Relief Refinance and Mortgage Modification Programs*.
- Levels of current mortgage interest rates and borrower refinancing activity.
- The age, principal amount, geographic distribution and payment terms of Mortgages.
- Characteristics of the borrowers (such as credit score) and their equity positions in their houses (whether the LTV ratio is high or low). In particular, borrowers with substantial equity in their houses may be inclined to engage in cash-out refinancings in which the refinancing mortgage has a higher principal balance than the refinanced mortgage. This technique enables the borrower to convert all or a portion of the equity into cash.
- Procedures implemented by Mortgage originators and servicers to ease the burden on themselves and borrowers of processing refinance loans. These changes may include reducing the amount of documentation and costs required to refinance and easing underwriting standards, which could encourage borrowers to refinance their Mortgages and thus increase prepayment rates. Some of our Mortgage purchase programs may facilitate these practices. For example, certain eligible borrowers applying for Relief Refinance Mortgages and Enhanced Relief Refinance Mortgages may be subject to streamlined underwriting and other procedures. See *Freddie Mac — Our Relief Refinance and Mortgage Modification Programs*.

- The rate of defaults and resulting repurchases of the Mortgages in a PC Pool. Defaults may increase during periods of economic recession, mortgage credit contraction, stricter underwriting standards that may inhibit refinancings, natural disasters, declining property values or increased use of secondary financing or as a result of other factors that decrease borrowers' equity. Such adverse developments could also have a greater impact on certain states or geographical regions. Depending on how long a Mortgage has been in default and the likelihood the borrower will resume making payments, we may repurchase a defaulted Mortgage from its PC Pool, which would have the same effect on the Holder as a prepayment of the Mortgage. See *Risk Factors — Prepayment and Yield Factors — Substantial repurchases of seriously delinquent Mortgages from PC Pools could materially affect PC prepayment speeds* and — *Credit Factors*.
- Active solicitation by originators and servicers. Many mortgage servicers, including sellers of Mortgages to Freddie Mac, solicit borrowers to refinance their Mortgages. In particular, servicers may solicit borrowers to refinance in an effort to preserve servicing income, which could increase prepayment rates. To mitigate this risk, generally, our Guide places restrictions on solicitation of borrowers which are intended to prevent servicers from targeting borrowers under Mortgages they service for us more actively than they target other borrowers. See *Freddie Mac — Our Relief Refinance and Mortgage Modification Programs*.
- Repurchases of Mortgages from PC Pools may occur when the Mortgages are refinanced or the terms of those Mortgages are modified as a result of default or imminent default, including under our Relief Refinance, Enhanced Relief Refinance or mortgage modification programs. See *Freddie Mac — Our Relief Refinance and Mortgage Modification Programs* and *Risk Factors — Prepayment and Yield Factors — Substantial repurchases of Mortgages from PC Pools due to modifications, refinancings and other loss mitigation programs resulting from default or imminent default could materially affect PC prepayment speeds*.
- Changes in local industry and population migration and relocation as they affect housing turnover.
- Servicing fee rates. PC Pools containing Mortgages that are subject to servicing fee rates that are relatively low may experience different prepayment rates than PC Pools in which relatively high servicing fee rates predominate.
- The use of special financing arrangements, including buydown plans or other provisions that cause the amount of the borrower's payment to change during the term of the Mortgage.
- In the case of ARMs, fluctuations in the reference Index values, the extent of periodic adjustments on the underlying Mortgage interest rates, the extent to which the initial Mortgage interest rates are discounted from their fully indexed rates and the extent to which borrowers exercise conversion options on convertible ARMs.
- The desire of borrowers to reduce the LTV ratio to 80% or below to eliminate the requirement for mortgage insurance on a Mortgage.
- Repurchases of Mortgages from PC Pools may occur due to breaches of representations and warranties by sellers or servicers of the Mortgages. See *Risk Factors — Prepayment*

*and Yield Factors — Substantial repurchases of Mortgages from PC Pools due to breaches of representations and warranties by sellers and servicers could materially affect PC prepayment speeds, and — We have a backlog of repurchase requests to sellers and servicers and their fulfillment could affect PC prepayment speeds and Description of the Mortgages — Mortgage Purchase and Servicing Standards — Mortgage Repurchases.*

- The prepayment behavior of relatively small PC Pools is likely to be less consistent and less predictable than is the prepayment behavior of larger PC Pools.

Prevailing mortgage interest rates especially influence prepayment rates. In general, as mortgage interest rates decline, borrowers tend to refinance their current, higher rate Mortgages, which results in faster prepayment rates on the related PC Pools. On the other hand, as mortgage interest rates increase, borrowers tend not to refinance their Mortgages, which results in slower prepayment rates on the related PC Pools.

Various types of Mortgages may have special prepayment characteristics. For example:

- Hybrid ARMs may be prone to refinancing toward the end of their fixed-rate periods.
- Convertible ARMs may be converted to fixed-rate Mortgages, which will be repurchased from the PC Pool shortly before their conversion dates and such repurchases will be treated as full prepayments of the related convertible ARMs.
- Alignment Overflow Mortgages have been purchased from a seller whose mortgages have, in our experience, demonstrated relatively faster prepayment speeds than average for comparable mortgages sold to us by most other sellers.
- Payment Capped ARMs have weighted average lives that can lengthen if negative amortization occurs and shorten if accelerated amortization occurs.
- ARMs tend to have higher default rates than fixed-rate Mortgages.
- Biweekly Mortgages have weighted average lives that are shorter than those of otherwise similar monthly payment Mortgages.
- Prepayment Penalty Mortgages may tend to prepay differently than Mortgages without prepayment penalties. Depending on a variety of factors, including possible waivers of the penalty, the timing of any notification to the borrower of applicable waivers and the interest rate environment, the prepayment behavior of Prepayment Penalty Mortgages is difficult to predict. We ceased purchasing Prepayment Penalty Mortgages on August 1, 2014.
- Initial Interest Mortgages, which permit borrowers to pay only accrued interest for extended periods without requiring principal amortization, may affect borrower decisions regarding the sale of property or refinancing because the borrower may not have reduced the principal balance of the Mortgage by making unscheduled principal payments. Unless the borrower makes unscheduled principal payments during the interest only period, equity accretion for the borrower during that period will result solely from market price appreciation on the related property. In addition, borrowers could be motivated to refinance prior to the expiration of the interest only period because it is likely that the amount of each monthly payment will increase substantially when scheduled principal amortization on these Mortgages commences. We ceased purchasing Initial Interest Mortgages on September 1, 2010.

- Jumbo-Conforming Mortgages and Super-Conforming Mortgages may tend to prepay differently than other conforming Mortgages because of a number of factors, including their larger relative principal balance (and larger resulting savings in the case of refinancing in a low interest rate environment), the presence of Freddie Mac and Fannie Mae in the secondary market for such Mortgages (which may tend to reduce the prevailing interest rates offered by lenders for extending such Mortgages and to increase funds available for such Mortgages) and the possible geographic concentration of such Mortgages.
- Modified Mortgages may have a greater risk of borrower delinquency and may generally have different prepayment and default characteristics than other Conventional Mortgages. In addition, Modified Mortgages with Step Rate Increases may have a greater risk of borrower delinquency and may experience faster prepayment rates during the periods when the interest rates of these Modified Mortgages are increasing.
- Reduced Minimum Servicing Mortgages have a minimum servicing fee level that is below 0.25% per annum of the principal balance of the Mortgages, which is the prevailing minimum servicing fee level for Mortgages we acquire. Reduced Minimum Servicing Mortgages may experience different prepayment rates than Mortgages to which our prevailing minimum servicing fee level applies and which have similar interest rates or which are included in PC Pools with similar pass-through rates.
- FHA/VA Mortgages may exhibit different prepayment behavior than Conventional Mortgages because they are underwritten using different criteria and are usually Assumable Mortgages.

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:

- Extended Buydown Mortgages may experience higher default rates than other Buydown Mortgages because they provide for larger increases in the effective interest rates to borrowers.
- Jumbo-Conforming Mortgages and Super-Conforming Mortgages may experience higher default rates than other Mortgages because, among other factors, they require relatively higher monthly payments.
- Second Mortgages may be more likely to be prepaid than first lien mortgages because they tend to have higher interest rates, shorter maturities and lower principal amounts than first lien mortgages.
- Cooperative Share Mortgages may experience different prepayment rates than other types of Mortgages due to various factors. Such factors include, but are not limited to, the geographic location of the related Cooperative, the characteristics of the borrower, and the borrower's ability to obtain refinancing.
- Relocation Mortgages could be less sensitive than other types of Mortgages to prepayments resulting from decreasing interest rates and more sensitive than other types of Mortgages to prepayments resulting from home sales. The prepayment behavior of Relocation Mortgages also generally depends on the circumstances of individual employees and employers and the characteristics of the specific relocation programs

involved, including whether such Mortgages are made in connection with a permanent relocation of a corporate headquarters, the likelihood that the borrower will be relocated again and the frequency with which further relocations occur. We do not collect information relating to these factors from mortgage sellers or servicers. Borrowers under Relocation Mortgages may be more likely to be transferred by their employers than mortgage borrowers generally. However, we cannot predict the likelihood of future employment related transfers or the rate of prepayments on Relocation Mortgages.

- Assumable Mortgages could be less sensitive than other types of Mortgages to prepayments due to home sales because they may not have to be prepaid when the mortgaged property is sold to a qualified borrower.
- High LTV Mortgages may have different prepayment and default characteristics than our other Mortgages. High LTV ratios are frequently associated with a lower likelihood of voluntary prepayments and a greater rate of default. However, at this time we cannot predict whether that will be the case for High LTV Mortgages.
- Reinstated FHA/VA Mortgages may exhibit different prepayment behavior than Conventional Mortgages because they are underwritten using different criteria, they have experienced previous periods of serious delinquencies and they can be assumed by a creditworthy purchaser of the related mortgaged property at the applicable interest rate for the remaining term of the Mortgage.
- Reinstated Mortgages may have different prepayment and default characteristics than other Conventional Mortgages. Although Reinstated Mortgages will be performing and not in default at issuance of their related new PCs, there can be no assurance that Reinstated Mortgages will remain current after issuance of the related PCs. Assuming that we do not change our current practices relating to delinquent Mortgages, if any Reinstated Mortgage becomes 120 days or more delinquent in the future and/or meets applicable criteria described under *Description of the Mortgages — Mortgage Purchase and Servicing Standards — Defaults and Delinquencies*, we could repurchase such Reinstated Mortgage from its related PC Pool, which repurchase would have the effect of a prepayment in full of such Reinstated Mortgage.

The timing and rate of defaults also may be affected by “debt cancellation” arrangements that borrowers may enter into at origination with some lenders. These arrangements relieve the borrower of making Mortgage payments under certain circumstances involving interruption of income, including involuntary unemployment, disability and death. Under these arrangements, Mortgage payments will be made on behalf of the borrower for a period of time or, in rare circumstances, the remaining principal balance of the Mortgage will be paid off on behalf of the borrower. As a result, the timing and rate of prepayments on the related PCs could be affected.

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 will be repurchased from a PC Pool, we consider several factors. See *Description of the Mortgages — Mortgage Purchase and Servicing Standards — Defaults and Delinquencies*.

The rate of principal payments on a PC Pool may vary significantly from month to month as a result of fluctuations in the principal payment rates of its underlying Mortgages. A PC Pool may



experience payment behavior that is similar to or different from that experienced by other PC Pools consisting of similar Mortgages. In addition, any PC Pool could experience payment behavior that is significantly different from other PC Pools, particularly if it contains a relatively small number of Mortgages, contains Mortgages from only one seller or has been formed specifically to emphasize one or more specific loan characteristics, such as borrower credit rating or loan size.

We make no representation concerning the particular effect that any factor may have on Mortgage prepayment behavior, or the prepayment rates for any type of Mortgage as compared to other kinds of Mortgages.

## **Yields**

### ***General***

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

- The price you paid for your PCs.
- The PC Coupon for your PCs.
- The rate of principal prepayments on 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 associated adjustment caps, lifetime ceilings and lifetime floors) on the underlying ARMs.
- In the case of Payment Capped ARM PCs, whether your PC experiences negative or accelerated amortization.
- If your PCs are backed by Initial Interest Mortgages, the fact that the weighted average life of an Initial Interest Mortgage will differ from the weighted average life of a level payment, fully amortizing, fixed-rate Mortgage having the same principal amount, interest rate and maturity (or an otherwise similar ARM, as applicable). As a result, the yield of an Initial Interest Mortgage may be more or less than the yield of the level payment, fully amortizing, fixed-rate Mortgage (or otherwise similar ARM, as applicable), depending on its purchase price. PC Pools containing Initial Interest Mortgages may therefore have different yields than PC Pools containing level payment, fully amortizing, fixed-rate Mortgages having otherwise similar terms (or otherwise similar ARMs, as applicable). Moreover, prepayments of Initial Interest Mortgages during the interest only period may affect yields on the PC Pools that contain them more than similar prepayments would affect the yields on PC Pools containing level payment, fully amortizing, fixed-rate Mortgages (or otherwise similar ARMs, as applicable). We ceased purchasing Initial Interest Mortgages on September 1, 2010.

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. 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 fully 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:

- 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, or high, interest rates compared to the other Mortgages in the same PC 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 of 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. In addition, the interest rates of the underlying Mortgages typically adjust based on an Index value published some time before such adjustment (the lookback period) and there may be a gap of up to several months from the publication of the applicable Index value until the PC Coupon reflects the adjusted value.
  - Although there are generally no limits on monthly PC Coupon adjustments for ARM PCs, interest rates on the underlying ARMs may be subject to adjustment caps, lifetime ceilings and, in some cases, 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. See *Description of the Mortgages — Adjustable Rate Mortgages (ARMs)* and *Description of the PCs — Payments of Interest — ARM PCs*.
- 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 your yield on the 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 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 Eleventh District COFI or other Indices which reflect averages of rates in effect over longer periods of time.
- If you invest in Payment Capped ARM PCs, the application of payment caps may result in negative amortization or accelerated amortization, which may affect your yield.

### ***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 again in the future. Illiquidity can have a severely negative

impact 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 PC Master Trust Agreement dated as of July 1, 2018, as amended from time to time, as Depositor, we transfer and deposit Mortgages that we have acquired into various trust funds. As Administrator, on behalf of the 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 if you would like further information about its provisions. You can obtain copies of the Trust Agreement from our internet website or by contacting Investor Inquiry as shown under *Additional Information*. Your receipt and acceptance of a PC, without any signature or other indication 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 Mortgage documents, directly or through a custodian acting as our agent or through the seller or servicer of the 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.

Following the assignment of Mortgages to a PC Pool, the Trustee may assign to one or more separate trust funds established by Freddie Mac, beneficial interests in principal and interest payments on the Mortgages comprising all or a portion of such PC Pool, in exchange for beneficial interests in the principal and interest payments on such Mortgages represented by related REMIC regular interests created pursuant to such separate trust funds.

### **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 PC Holders on the appropriate Payment Date. Substitutions of Mortgages rarely occur.

Repurchases or substitutions may occur in the following situations:

- As Guarantor, we may repurchase a Mortgage in connection with a payment on our guarantee of that Mortgage.
- As Administrator, we may repurchase, or require or permit a seller or servicer to repurchase, a Mortgage if a repurchase is necessary or desirable:
  - to maintain servicing of the Mortgage in accordance with provisions of the Guide, or
  - to maintain the status of the PC Pool as a grantor trust for federal income tax purposes, or to the extent not inconsistent with the immediately preceding clause, to maintain the REMIC status of any assets with respect to which a REMIC election is made.
- As Guarantor, we may repurchase under our guarantees, or require or permit a seller or servicer of a Mortgage to repurchase, any Mortgage if:
  - such Mortgage is 120 days or more delinquent, or
  - we determine, on the basis of information from the related borrower or servicer, that loss of ownership of the property securing such Mortgage is likely or default is imminent due to borrower incapacity, death or hardship or other extraordinary circumstances that make future payments on such Mortgage unlikely or impossible.
- As Guarantor, we may repurchase a Mortgage if a bankruptcy court approves a plan that materially affects the terms of the Mortgage or authorizes a transfer or substitution of the underlying property.
- As Administrator, we may require or permit the seller or servicer of a Mortgage to repurchase the Mortgage or (within six months of the issuance of the related PCs) substitute for the Mortgage a Mortgage of comparable type, unpaid principal balance, remaining term and yield, if there is:
  - a material breach of warranty by a seller or servicer of the Mortgage,
  - a material defect in the documentation for the Mortgage, or
  - a failure by a seller or servicer to comply with any requirements or terms set forth in the Guide and Mortgage purchase documents.
- As Administrator, we will repurchase a Mortgage or (within two years of the issuance of the related PCs) substitute for the Mortgage 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 the Mortgage was unauthorized and Freddie Mac determines that a cure is not practicable without unreasonable effort or expense, or
  - such court or government agency requires a repurchase of the Mortgage.
- As Administrator, we will repurchase or require or permit the seller or servicer to repurchase a convertible ARM when the borrower exercises the option to convert the related interest rate from an adjustable rate to a fixed rate.

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 Freddie Mac. Freddie Mac's repurchase of any Mortgage will be at its then unpaid principal balance, less any outstanding advances of principal on the Mortgage that Freddie Mac has paid to Holders.

### **Collection and Other Servicing Procedures**

We are responsible as the Administrator under the Trust Agreement for certain duties. Our duties include entering into contracts with servicers to service the Mortgages, monitoring and overseeing 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 payments 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 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 or the Administrator, on its behalf, may, but is not obligated to, undertake any legal action that it deems necessary or desirable in the interests of Holders. The Trustee or the Administrator, on its behalf, may be reimbursed for the legal expenses and costs of the action from the assets of the 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, 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, including the appointment of a receiver, liquidator, assignee, custodian or sequestrator (or similar official) for 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 10 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 for its own account will be disregarded.

The rights provided to PC Holders under the Trust Agreement as described above may not be enforced against FHFA, or enforcement of such rights may be delayed, if we are placed into receivership. The Trust Agreement provides that upon the occurrence of an Event of Default, which includes the appointment of a receiver, PC Holders have the right to replace Freddie Mac as Trustee and Administrator if the requisite percentage of PC Holders consent. The Reform Act prevents PC Holders from enforcing their rights to replace Freddie Mac as Trustee and Administrator if the Event of Default arises solely because a receiver has been appointed. The Reform Act also provides that no person may exercise any right or power to terminate, accelerate or declare an event of default under certain contracts to which Freddie Mac is a party, or obtain possession of or exercise control over any property of Freddie Mac, or affect any contractual rights of Freddie Mac, without the approval of FHFA, as receiver, for a period of 90 days following the appointment of FHFA as receiver.

Under the Purchase Agreement between Treasury and us, PC Holders are given certain limited rights against Treasury under the following circumstances: (i) we default on our guarantee payments, (ii) Treasury fails to perform its obligations under its funding commitment, and (iii) we and/or the Conservator are not diligently pursuing remedies in respect of that failure. In that case, the Holders of the affected PCs may file a claim in the U.S. Court of Federal Claims for relief requiring Treasury to fund to us up to the lesser of (1) the amount necessary to cure the payment default and (2) the lesser of (a) the amount by which our total liabilities exceed our total assets, as reflected on our balance sheet prepared in accordance with generally accepted accounting principles, and (b) the maximum amount of Treasury’s funding commitment under the Purchase Agreement less the aggregate amount of funding

previously provided under this commitment. The enforceability of such rights has been confirmed by the Office of Legal Counsel of the U.S. Department of Justice in an opinion dated September 26, 2008.

### **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.

### **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 qualification of any PC Pool as a grantor trust for federal income tax purposes, as it may then be in effect, or, in the event a REMIC election is made with respect to beneficial interests in principal and interest payments on all or a portion of the assets comprising any PC Pool, to maintain the REMIC status of any such assets with respect to which such REMIC election is made.
- 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 willful misfeasance, bad faith, gross negligence or reckless disregard of 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. The legal costs of any such action will be borne pro rata by Freddie Mac and the Holders in accordance with their interests in the relevant Mortgages.

Freddie Mac may acquire PCs. Except as described under *Rights Upon Event of Default* 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 successor to Freddie Mac.

### **Potential Conflicts of Interest**

In connection with the PCs that we issue, we are acting in multiple roles — Trustee, Depositor, Administrator and Guarantor. The Trust Agreement provides that in determining whether a Mortgage shall be repurchased from the related PC Pool, we may in our capacities as Administrator and Guarantor consider factors as we deem appropriate, including the reduction of administrative costs (in the case of the Administrator) and possible exposure under our guarantee (in the case of the Guarantor). There is no independent third party engaged with respect to the PCs to monitor and supervise our activities in our various roles. In connection with our roles as Administrator and Guarantor, we may take certain actions with respect to Mortgages that may adversely affect PC Holders. For example, we may repurchase, or direct sellers or servicers to repurchase, Mortgages from PC Pools in certain situations. A Mortgage repurchase will be treated as a prepayment in full of the Mortgage being repurchased and will increase the prepayment speeds of PCs. See *Description of the Mortgages — Mortgage Purchase and Servicing Standards — Mortgage Repurchases* and *Risk Factors — Prepayment and Yield Factors — Substantial repurchases of seriously delinquent Mortgages from PC Pools could materially affect PC prepayment speeds, — Substantial repurchases*

*of Mortgages from PC Pools due to breaches of representations and warranties by sellers and servicers could materially affect PC prepayment speeds, and — Substantial repurchases of Mortgages from PC Pools due to modifications, refinancings or other loss mitigation programs resulting from default or imminent default could materially affect PC prepayment speeds.*

For a discussion concerning certain operational risks, see *Risk Factors — Operational Risks*.

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

## **CERTAIN FEDERAL INCOME TAX CONSEQUENCES**

### **General**

The following is a general discussion of the material federal income tax consequences relating to the purchase, ownership and transfer of 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.

If you deliver Mortgages under our MultiLender Swap Program in exchange for PCs, you should be aware that you may be required to recognize gain or loss on all or a portion of such Mortgages.

Except as described below, we expect that all Gold PCs, with the exception of Gold PCs backed by High LTV Mortgages or Reduced Minimum Servicing Mortgages that bear prefixes U7, U8, U9, K0, K1, K2, K8, L0, L2 or L4, issued by us on or after July 1, 2018, will be backed by Mortgages for which we will make a REMIC election with respect to the beneficial interests in the principal and interest payments on such Mortgages. Notwithstanding the preceding sentence, we do not intend to file a REMIC election with respect to the beneficial interests in the principal and interest payments on Mortgages in a PC Pool, if the related PC would be treated as having been issued with OID. Such elections will not alter the treatment of the PC Pools as grantor trusts for federal income tax purposes.

### **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. If we make a REMIC election with respect to the beneficial interests in the principal and interest payments on such Mortgages in your PCs, you will be required to account for such Mortgages under the accrual method of accounting.

Under Section 162 or 212 of the Code, your pro rata share of servicers' fees or any of our 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 may be deductible, in accordance with your method of accounting. Notwithstanding the foregoing, miscellaneous itemized deductions described in Section 67 of the Code, which were previously available (subject to certain limitations) to investors who are individuals, estates or trusts, have been suspended for taxable years beginning after December 31, 2017 and before January 1, 2026, and continue to not be deductible for computing alternative minimum tax liability. If you are an individual, estate or trust, you should consult your tax advisor regarding the limitations on the deductibility of such items.

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 generally 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 will represent a "Government security" within the meaning of Section 856(c)(4)(A) of the Code. If a PC 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.

It is not certain whether or to what extent Mortgages with LTV ratios above 100% qualify as loans secured by an interest in real property for purposes of Section 7701(a)(19)(C)(v) of the Code. Even if the property securing the Mortgage does not meet this test, the PCs will be treated as "obligations of a corporation which is an instrumentality of the United States" within the meaning of Sections 7701(a)(19)(C)(ii) and 7701(a)(19)(C)(xi) of the Code, as applicable. Thus, the PCs will be a qualifying asset for a domestic building and loan association.

Under Treasury regulations applicable to a REMIC, a mortgage will generally be treated as a "qualified mortgage" within the meaning of Section 860G(a)(3)(A) of the Code (and not other statutes) only if the mortgage has an LTV ratio of 125% or less at either (i) the time the obligation was originated (which includes the time of any "significant modification" of such obligation) or (ii) the time a sponsor contributes the obligation to a REMIC. Accordingly, a Mortgage with an LTV ratio in excess of 125% at origination (including at the time of any "significant modification" of such obligation) generally would not be considered a "qualified mortgage" for purposes of the REMIC rules unless the LTV ratio has decreased to 125% or below at the time such Mortgage is contributed by a sponsor to a REMIC. The REMIC regulations provide a special rule pursuant to which any modification that is occasioned by default or a reasonably foreseeable default is not treated as a "significant modification." Because a Modified Mortgage is a mortgage that has been modified as a result of default or a reasonably foreseeable default, a Modified Mortgage would constitute a "qualified mortgage" as long as it has an LTV ratio of 125% or less at either (i) the time such Modified Mortgage was originated (ignoring such modification) or (ii) the time a sponsor contributes the Modified

Mortgage to a REMIC. You should consult your tax advisor concerning the tax consequences of transferring PCs to a REMIC.

### **Buydown or Extended Buydown Mortgages**

It is not clear for federal income tax purposes whether buydown funds advanced by the originator of the Mortgage would be treated as funds of the borrower, with the borrower correspondingly treated as obligated for the full stated interest rate on the Mortgage. We plan to report for federal income tax purposes using the stated interest rate on the Mortgage. If the Internal Revenue Service (the “**Service**”) were to view the borrower’s obligation on a net basis, you would be treated as owning two separate debt instruments, one an obligation of the borrower and the other a separate obligation of the originator for the “bought down” amounts. In such event, you would recognize some acceleration of taxable income to the period of the buydown accounts and the obligation of the originator may fail to qualify for the special treatments under Sections 856(c)(3)(B), 856(c)(5)(B), 7701(a)(19)(C)(v) and 7701(a)(19)(C)(xi) of the Code described under *Tax Status* above.

### **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 Relief 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.

Notwithstanding the following, if you use an accrual method of accounting for federal income tax purposes and prepare an “applicable financial statement” (as defined in Section 451 of the Code), you may be required to include original issue discount (with respect to taxable years beginning after December 31, 2018) and market discount and other items of income (with respect to taxable years beginning after December 31, 2017) no later than at the time such amounts are reflected on such a financial statement.

#### ***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. We intend to treat deferred interest on a Payment Capped ARM as

original issue discount, which you will be required to include in income in the period in which such deferred interest accrues. We do not intend to file a REMIC election with respect to the beneficial interests in the principal and interest payments on Mortgages in a PC Pool, if the related PC would be treated as having been issued with OID.

### ***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 yield 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 includible 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 yield 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 Service's consent. 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 yield 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 Election***

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*.

### ***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, for tax purposes you would not be treated as having a pro rata undivided interest in the underlying Mortgages, 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 Sections 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 W-8BEN-E (or similar substitute forms)) 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% 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.

### **Foreign Account Tax Compliance Act**

Investors should be aware that under legislation and related administrative guidance (commonly known as “**FATCA**”), certain payments in respect of the PCs and the underlying Mortgages after June 30, 2014 and payments of the gross proceeds from the sale or other disposition of a PC or an underlying Mortgage after December 31, 2018 received by a non-U.S. entity may be subject to withholding of U.S. federal income tax at a rate of 30% if such non-U.S. entity fails to take the required steps to provide certain information regarding its “United States accounts” or its direct or indirect “substantial U.S. owners.” The required steps and the information to be provided will depend on whether the non-U.S. entity is considered a “foreign financial institution” for this purpose, and if an intergovernmental agreement exists between the United States and an applicable foreign country that may modify the applicable requirements.

Investors should consult their tax advisors regarding the potential application and impact of the FATCA withholding rules based on their particular circumstances, including the applicability of any intergovernmental agreement modifying these rules.

### **ERISA CONSIDERATIONS**

A Department of Labor regulation provides that if 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.

Governmental plans and certain church plans, while not subject to the fiduciary responsibility provisions of ERISA or the prohibited transaction provisions of ERISA and the Code, may nevertheless be subject to local, state or other federal laws that are substantially similar to provisions of ERISA and the Code. Fiduciaries of any such plans should consult with their own legal advisors before purchasing PCs.

In addition, any purchaser, transferee or holder of PCs or any interest therein that is a benefit plan investor as defined in 29 C.F.R. Section 2510.3-101, as modified by Section 3(42) of ERISA (a **"Benefit Plan Investor"**) will be deemed to represent, warrant and agree that (i) neither Freddie Mac nor any of its respective affiliates (the **"Transaction Parties"**) has provided any investment recommendation or investment advice on which it, or any fiduciary or other person investing the assets of the Benefit Plan Investor (a **"Plan Fiduciary"**), has relied in connection with its decision to invest in PCs, and they are not otherwise acting as a fiduciary, as defined in Section 3(21) of ERISA or Section 4975(e)(3) of the Code, to the Benefit Plan Investor or the Plan Fiduciary in connection with the Benefit Plan Investor's acquisition of PCs; and (ii) the Plan Fiduciary is exercising its own independent judgment in evaluating the investment in the PCs.

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

## 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 Department of the Treasury or any other federal or state agency with similar authority should review applicable regulations, policy statements and guidelines before purchasing or pledging PCs.

Our counsel, Cadwalader, Wickersham & Taft LLP, has advised us on July 1, 2018, that, for purposes of determining whether the acquisition of 100% of any PC causes such PC to be a "qualifying interest" for purposes of Section 3(c)(5)(C) of the Investment Company Act of 1940, as amended, PCs representing beneficial ownership of Mortgages as to which REMIC elections have been or may be made should be treated no differently than are PCs representing beneficial ownership of Mortgages as to which no REMIC election has been made. Our counsel has not undertaken to update that advice to reflect any new developments. Moreover, whether or not a REMIC election has been made with respect to the Mortgages owned by a PC Trust, an investor acquiring 100% of the applicable PCs

should reach its own conclusion, in consultation with such advisors as it deems appropriate, as to whether “qualifying interest” characterization is appropriate.

### **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 PCs, investors are encouraged to consult their own accountant for advice on the appropriate accounting treatment for their PCs.

### **DISTRIBUTION ARRANGEMENTS**

PCs are issued through cash sales or in exchange for Mortgages. PCs are offered under our Cash Program on a daily basis through any of the following methods:

- Auction.
- Competitive bid offering.
- Allocation to members of a recognized group of dealers that purchase or sell PCs in accordance with agreements with us.
- Direct placement with securities dealers or investors.

Under our Guarantor Program, we purchase Mortgages from a single seller and, as Depositor, deposit such Mortgages in a PC Pool under the Trust Agreement and applicable Pool Supplement. As Administrator, on behalf of the 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 these PCs to the seller as consideration for the Mortgages. Under our MultiLender Swap Program, we purchase Mortgages and in exchange deliver PCs with a principal balance equal to the aggregate principal balance of the purchased Mortgages. Participants in the MultiLender Swap Program that deliver certain types of Mortgages receive a Freddie Mac Giant PC. Mortgage sellers who acquire PCs or Freddie Mac Giant PCs in exchange for Mortgages may hold those PCs or Freddie Mac Giant PCs or sell them to investors upon acquisition or at a later time.

### **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, the applicable Pool Supplement and any applicable Additional 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 under *Additional Information*.

We may undertake various activities in an effort to support our presence in the agency securities market or to support the liquidity of our PCs, including their price performance relative to comparable Fannie Mae securities, including:

- Educating dealers and investors about the merits of trading and investing in PCs;
- Purchasing and selling agency securities, including Freddie Mac mortgage-related securities, and loans through our mortgage-related investments portfolio;
- Purchasing mortgages;
- Engaging in dollar roll transactions, which are agreements between a counterparty and us to purchase and subsequently resell (or sell and subsequently repurchase) agency securities;
- Engaging in structuring activities, such as resecuritization of existing agency securities and the sale of some or all of the resulting securities;
- Issuing securities backed by our PCs;
- Creating larger PC Pools and Giant PCs with a larger and more diverse population of Mortgages;
- Encouraging sellers to (i) pool Mortgages that they deliver to us into PC Pools with a larger and more diverse population of Mortgages, including under our MultiLender Swap Program; and (ii) hedge their deliveries of fixed-rate Mortgages to us with Gold PCs;
- Influencing the volume and characteristics of Mortgages delivered to us by tailoring our loan eligibility guidelines and by other means;
- Engaging in portfolio purchase and retention activities; and
- Introducing new mortgage-related securities initiatives.

We also support the execution of our credit guarantee business by adjusting our guarantee fee. For example, if the price performance of, and demand for, our PCs is not comparable to mortgage-backed securities issued by Fannie Mae on future mortgage deliveries by sellers, we may use market-adjusted pricing where we provide guarantee fee price adjustments to partially offset weaknesses in prevailing security prices and increase the competitiveness of our credit guarantee business.

Depending upon market conditions, there may be substantial variability in any period in the total amount of securities we purchase or sell. In some cases, the purchase or sale of agency securities could adversely affect the price performance of our PCs relative to comparable Fannie Mae securities. While we may employ a variety of strategies in an effort to support the liquidity and price performance of our PCs, and may consider additional strategies, those strategies may fail or adversely affect our business. We may cease such activities at any time, or FHFA could require us to do so, which could adversely affect the liquidity and price performance of our PCs. We incur costs in connection with our efforts to support our presence in the agency securities market and to support the liquidity and price performance of our PCs, including by engaging in transactions that yield less than our target rate of return. We may increase, reduce or discontinue these or other related activities at any time, which could affect our market presence or the liquidity and price performance of our PCs. See also “*Risk Factors — Investment Factors — Our activities to support the liquidity and price performance of our PCs may not be successful.*” The Incorporated Documents 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

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## FREQUENTLY USED PC PREFIXES

Prefixes are subject to change (including modification, discontinuance or the addition of new ones) at any time. You should refer to our internet website for the most current list of Prefixes.

### Gold PCs

<u>Description of Mortgage</u>	<u>Prefixes</u>
30-year . . . . .	A0-A9, C0-C8, D0-D8 and Q0-Q9
15-year . . . . .	B0-B1, E0-E9 and J0-J9
20-year . . . . .	C9, D9, F8 and K9
40-year . . . . .	K3
Extended Buydown . . . . .	F0 (30-year) and F1 (15-year)
Relocation . . . . .	N2-N3 (30-year) and M2-M3 (15-year)
Biweekly (various) . . . . .	N4-N5, O2 (30-year), M4-M5 and O3 (15-year)
Cooperative Share . . . . .	N6-N7 (30-year) and M6-M7 (15-year)
Alignment Overflow Mortgages . . . . .	NA (15-year) and NB (30-year)
Newly Originated Assumable . . . . .	T3 (30-year) and T1 (15-year)
Jumbo/Super-Conforming Mortgages* . . . . .	T4 (15-year), T5 (20-year), T6 (30-year) and T9 (40-year)
High LTV Mortgages (LTV is greater than 105% and less than or equal to 125%) . . . . .	U4 (15-year), U5 (20-year) and U6 (30-year)
High LTV Mortgages (LTV is greater than 125%) . . . . .	U7 (15-year), U8 (20-year) and U9 (30-year)
Mini-PCs (standard mortgage types) . . . . .	B2-B3 (30-year), F9 (20-year) and B4-B5 (15-year)
Mini-PCs (various mortgage types) . . . . .	F6 (FHA/VA), O5, U3 (30-year), O6 and U1 (15-year)
Modified Fixed Rate . . . . .	MA (40-year), MB (30-year), MC (20-year) and MD (15-year)
Modified Step Rate . . . . .	HA (40-year), HB (30-year), HC (20-year) and HD (15-year)
FHA/VA . . . . .	B6-B8 (30-year), B9 (other), F5 (20-year) and F7 (15-year)
Non-Standard . . . . .	L1
Prepayment Penalty Mortgages . . . . .	P0, P1 (30-year/15-year 3-year/2%), P2 and P3 (30-year/ 15-year 5-year/6 months)
Various Prepayment Penalties . . . . .	P4, P5 and P6 (40-year/30-year/15-year)
Initial Interest . . . . .	H0 (10/20), H1 (15/15), H3 (Safesteps), H2 (10/10), H4 (10/20, Jumbo-Conforming), H5 (10/5), H6 (10/5, various prepayment penalties), H7 (10/10, various prepayment penalties) and H8 (10/20, various prepayment penalties)
Reduced Minimum Servicing . . . . .	L0 (30-year, fixed-rate, 12.5 bps), L2 (20-year, fixed-rate, 12.5 bps) and L4 (15-year, fixed-rate, 12.5 bps)
Reduced Minimum Servicing . . . . .	K0 (30-year, fixed-rate, less than 12.5 bps), K1 (15-year, fixed- rate, less than 12.5 bps), K2 (20-year, fixed-rate, less than 12.5 bps) and K8 (40-year, fixed-rate, less than 25 bps)
Reinstated Mortgages . . . . .	R0 (30-year), R1 (20-year) and R2 (15-year)
Cash** . . . . .	V6 (15-year), V7 (20-year) and V8 (30-year)

\* Prior to December 1, 2010, these PC Pools were comprised of Jumbo-Conforming Mortgages (up to \$729,750 for a one-family residence). On or after December 1, 2010, these PC Pools may also be comprised of (i) Super-Conforming Mortgages (for 2017, the maximum is generally \$636,150 for a one-family residence) and (ii) base conforming Mortgages (for 2017, up to \$424,100 for a one-family residence).

\*\* PCs issued with these prefixes will be comprised entirely of Mortgages purchased by us for cash.



**ARM PCs**

**Description of Mortgage  
(Mortgage Coupon Periodic Adjustment Frequency/  
Index/Periodic Adjustment Cap/Convertibility)**

**Prefixes**

***Treasury Indices***

Annual/1-year Treasury/1% Cap/Convertible . . . . .	63 and 72
Annual/1-year Treasury/1% Cap/Non-convertible . . . . .	37 and 64
Annual/1-year Treasury/2% Cap/Convertible . . . . .	40, 41 and 71
Annual/1-year Treasury/2% Cap/Non-convertible . . . . .	35, 60 and 61
Annual or Semiannual/Various Indices/Various Caps . . . . .	75*
5-year/5-year Treasury/Various Caps . . . . .	76*
Annual/1-year Treasury/Hybrid ARMs/Various Caps . . . . .	78* and 1L
3-year/3-year Treasury/Various Caps . . . . .	86*
Annual/1-year Treasury/Initial Interest Hybrid ARMs/Various Caps . . . . .	1H
Annual/1-year Treasury/10-year Initial Interest Hybrid ARMs/Various Caps . . . . .	1K

***COF Indices***

Monthly/11th District COF/Payment-capped . . . . .	39* and 42*
Annual or Semiannual/National COF/Various Caps . . . . .	74*
Annual or Semiannual/11th District COF/Various Caps . . . . .	77*
Federal Cost of Funds/Payment-capped . . . . .	5A*

***LIBOR Indices***

Various/LIBOR/Various Caps . . . . .	87*
Various/LIBOR/Payment-capped . . . . .	96*
Semiannual/6-month LIBOR/Hybrid ARMs/Various Caps . . . . .	1A
Annual/1-year LIBOR/Hybrid ARMs/Various Caps . . . . .	1B*
Annual/1-year LIBOR/2% Cap/Non-convertible . . . . .	1C
Annual/1-year LIBOR/3% Cap/Non-convertible . . . . .	1D
Annual/1-year LIBOR/2% Cap/Convertible . . . . .	1E
Annual/1-year LIBOR/3% Cap/Convertible . . . . .	1F
Annual/1-year LIBOR/Initial Interest Hybrid ARMs/Various Caps . . . . .	1G
Annual/1-year LIBOR/10-year Initial Interest Hybrid ARMs/Various Caps . . . . .	1J
Semiannual/6-month LIBOR/Initial Interest Hybrid ARMs/Various Caps . . . . .	1M
Semiannual/6-month LIBOR/10-year Initial Interest Hybrid ARMs/Various Caps . . . . .	1N
Semiannual/6-month LIBOR/10-year Initial Interest ARMs/Various Caps . . . . .	1P
Annual/1-year LIBOR/1-year Initial Interest Hybrid ARM/Various Caps . . . . .	1U
Annual/1-year LIBOR/non-standard Initial Interest Hybrid ARM/Various Caps . . . . .	1V

***Other Indices***

Various Treasury/Payment-capped . . . . .	94*
Semiannual/CD/Various Caps . . . . .	970*-971*
Various Indices/Various Caps . . . . .	972*-973*

\* PC Pool may consist entirely of convertible ARMs if specified in related Additional Supplement.

### EXAMPLE POOL SUPPLEMENT

This example Pool Supplement illustrates the form and content of the Pool Supplement we post on our internet website for each PC Pool. It is not provided to describe any existing PC Pool. Pool Supplements for PC Pools containing fixed-rate Mortgages generally will exclude the data fields which are applicable only to ARM and Modified Step Rate PCs and include the data fields which apply to Gold PCs. See *Appendix IV — Terms Used in Pool Supplements* for definitions of the terms used in this example Pool Supplement. The number associated with each data field in this example Pool Supplement corresponds to the number associated with the related definition in *Appendix IV*.

**PC Pool Number XXXXXX**

**Pool Supplement**

(To PC Offering Circular Dated July 1, 2018,  
as supplemented or amended)



### FREDDIE MAC Mortgage Participation Certificates

Capitalized terms used in this Pool Supplement (other than capitalized terms that are defined in this document) have the same meanings as in Freddie Mac's Mortgage Participation Certificates Offering Circular dated July 1, 2018, as it may be supplemented from time to time (the "PC Offering Circular"). This Pool Supplement incorporates by reference the PC 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, as described in the PC Offering Circular. This Pool Supplement supplements the PC Master Trust Agreement dated as of July 1, 2017 and constitutes the Pool Supplement within the meaning of that Trust Agreement for the PC Pool described herein.

You should purchase the PCs only if you have read and understood this Pool Supplement, the PC Offering Circular, any related Additional Supplement and any documents that we have incorporated by reference in the PC Offering Circular.

We guarantee the payment of interest and principal on the PCs as described in the PC Offering Circular. You can find a description of the applicable PC Coupon in the PC Offering Circular under "Description of the PCs — Payments of Interest." For an initial period of time, we will pay scheduled installments of interest at the PC Coupon rate. After this initial period, we will pay principal together with interest at the PC Coupon rate. 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. The PCs are not tax-exempt securities. Because of applicable securities law exemptions, Freddie Mac has not registered the PCs with any federal or state securities commission. No securities commission has reviewed this Pool Supplement.

**PC Pool Supplement dated \_\_\_\_\_**

The PC Pool number in the pool statistics of this Pool Supplement identifies the pool of Mortgages to which the PCs relate. The pool statistics of this Pool Supplement contain statistical information about the PC Pool, including a PC Prefix that identifies the specific type of mortgages in the PC Pool. Certain information in this Pool Supplement is updated monthly on our internet website.

We also provide information (“Loan Level Disclosures”) relating to each of the Mortgages backing this PC Pool as of the time of issuance of the PC and, for PCs issued on or after December 1, 2005, monthly updates of that information. You can find the Loan Level Disclosures relating to this PC Pool at [http://www.freddiemac.com/mbs/html/sd\\_pc\\_lookup.html](http://www.freddiemac.com/mbs/html/sd_pc_lookup.html). Sellers of the Mortgages furnish us with data for the Loan Level Disclosures and represent to us that such data are true, complete and accurate. We may not have independently verified the accuracy of such data. None of Freddie Mac or its affiliates has made or will make any representation or warranty as to the accuracy or completeness of the Loan Level Disclosures or of the information contained in this Pool Supplement and any related Additional Supplement. In addition, we are not obligated to update the Loan Level Disclosures.

We also furnish certain information concerning the methodologies we use to calculate certain Loan Level Disclosures and certain of the statistical information in this PC Pool Supplement. You will find the information concerning those methodologies at [http://www.freddiemac.com/mbs/docs/pc\\_algorithms.pdf](http://www.freddiemac.com/mbs/docs/pc_algorithms.pdf). Certain of these methodologies incorporate assumptions as to permitted Mortgage characteristics and variables therein. As a result, in some cases the application of these methodologies could result in minor differences between the actual characteristics of a given Mortgage and the reported characteristics.

**PC Pool Supplement dated \_\_\_\_\_**

**INFORMATION RELATING TO EXAMPLE 30-YEAR FIXED RATE PC**

**SECURITY DESCRIPTION**

PREFIX .....	Q5
SECURITY IDENTIFIER/POOL NUMBER .....	Q5XXXXX
CUSIP .....	XXXXXXXXXX
INVESTOR SECURITY UPB (\$) .....	7,014,895.00
WEIGHTED AVERAGE NET INTEREST RATE (%) .....	4.500
ISSUE DATE .....	03/01/2018
FIRST PAYMENT DATE .....	04/15/2018
MATURITY DATE .....	04/2048
INTEREST ONLY SECURITY INDICATOR .....	NO
PREPAYMENT PENALTY INDICATOR .....	NO
REDUCED MINIMUM SERVICING INDICATOR .....	NO

**SECURITY STATISTICS (AS OF ISSUE DATE)**

LOAN COUNT .....	37
AVERAGE MORTGAGE LOAN AMOUNT (\$) .....	189,648.00
WEIGHTED AVERAGE MORTGAGE LOAN AMOUNT (\$) .....	189,972.00
WEIGHTED AVERAGE INTEREST RATE (%) .....	4.999
WEIGHTED AVERAGE LOAN AGE .....	1-
WEIGHTED AVERAGE LOAN TERM .....	360
WEIGHTED AVERAGE REMAINING MONTHS TO MATURITY .....	360
WEIGHTED AVERAGE LOAN-TO-VALUE (LTV) .....	78
WEIGHTED AVERAGE COMBINED LOAN-TO-VALUE (CLTV) .....	78
WEIGHTED AVERAGE BORROWER CREDIT SCORE .....	752
WEIGHTED AVERAGE DEBT-TO-INCOME (DTI) .....	36
THIRD PARTY ORIGATION UPB PERCENT .....	100.000
SELLER NAME(S) .....	XXXXXXXXXX
SERVICER NAME(S) .....	XXXXXXXXXX

**QUARTILE DISTRIBUTION**

	MORTGAGE LOAN AMOUNT (\$)	INTEREST RATE (%)	NET INTEREST RATE (%)	LOAN TERM	LOAN AGE	LOAN-TO- VALUE (LTV)	REMAINING MONTHS TO MATURITY	ESTIMATED LOAN-TO- VALUE (ELTV)	COMBINED LOAN-TO- VALUE (CLTV)	BORROWER CREDIT SCORE	UPDATED CREDIT SCORE	DEBT-TO- INCOME (DTI)
MAXIMUM .....	200,000.00	5.625	4.500	360	0	97	360		97	809		50
75% .....	196,000.00	5.250	4.500	360	1-	80	360		80	789		40
MEDIAN .....	190,000.00	4.875	4.500	360	1-	79	360		79	755		38
25% .....	182,000.00	4.750	4.500	360	1-	73	360		73	725		31
MINIMUM .....	175,000.00	4.750	4.500	360	1-	50	360		50	655		18

**LOAN PURPOSE**

	AGGREGATE LOAN COUNT	PERCENTAGE LOAN COUNT	AGGREGATE INVESTOR LOAN UPB (\$)	PERCENTAGE INVESTOR LOAN UPB
PURCHASE .....	21	56.76	3,962,120.00	56.48
REFINANCE - CASH OUT .....	13	35.14	2,478,075.00	35.33
REFINANCE - NO CASH OUT .....	3	8.11	574,700.00	8.19
REFINANCE - NOT SPECIFIED .....	0	0.00	0.00	0.00
NOT AVAILABLE .....	0	0.00	0.00	0.00

**OCCUPANCY STATUS**

	AGGREGATE LOAN COUNT	PERCENTAGE LOAN COUNT	AGGREGATE INVESTOR LOAN UPB (\$)	PERCENTAGE INVESTOR LOAN UPB
PRIMARY RESIDENCE .....	21	56.76	4,008,820.00	57.15
SECOND HOME .....	1	2.70	175,200.00	2.50
INVESTMENT PROPERTY .....	15	40.54	2,830,875.00	40.36
NOT AVAILABLE .....	0	0.00	0.00	0.00

**PROPERTY TYPE**

	AGGREGATE LOAN COUNT	PERCENTAGE LOAN COUNT	AGGREGATE INVESTOR LOAN UPB (\$)	PERCENTAGE INVESTOR LOAN UPB
COOPERATIVE .....	0	0.00	0.00	0.00
CONDOMINIUM .....	7	18.92	1,311,000.00	18.69
PLANNED UNIT DEVELOPMENT .....	7	18.92	1,338,725.00	19.08
SINGLE-FAMILY .....	23	62.16	4,365,170.00	62.23
MANUFACTURING HOUSING .....	0	0.00	0.00	0.00
NOT AVAILABLE .....	0	0.00	0.00	0.00

**ORIGINATION YEAR**

	AGGREGATE LOAN COUNT	PERCENTAGE LOAN COUNT	AGGREGATE INVESTOR LOAN UPB (\$)	PERCENTAGE INVESTOR LOAN UPB
2018 .....	37	100.00	7,014,895.00	100.00

**CHANNEL**

	AGGREGATE LOAN COUNT	PERCENTAGE LOAN COUNT	AGGREGATE INVESTOR LOAN UPB (\$)	PERCENTAGE INVESTOR LOAN UPB
BROKER .....	32	86.49	6,060,495.00	86.39
CORRESPONDENT .....	5	13.51	954,400.00	13.61
RETAIL .....	0	0.00	0.00	0.00
THIRD-PARTY ORIGINATION - NOT SPECIFIED .....	0	0.00	0.00	0.00
NOT AVAILABLE .....	0	0.00	0.00	0.00

**MORTGAGE INSURANCE CANCELLATION INDICATOR**

	AGGREGATE LOAN COUNT	PERCENTAGE LOAN COUNT	AGGREGATE INVESTOR LOAN UPB (\$)	PERCENTAGE INVESTOR LOAN UPB
YES .....	0	0.00	0.00	0.00
NO .....	8	21.62	1,528,200.00	21.79
NOT AVAILABLE .....	29	78.38	5,486,695.00	78.21

**MORTGAGE INSURANCE COVERAGE**

	AGGREGATE LOAN COUNT	PERCENTAGE LOAN COUNT	AGGREGATE INVESTOR LOAN UPB (\$)	PERCENTAGE INVESTOR LOAN UPB
LOANS WITH MORTGAGE INSURANCE .....	8	21.62	1,528,200.00	21.79
LOANS WITHOUT MORTGAGE INSURANCE .....	29	78.38	5,486,695.00	78.21
NOT AVAILABLE .....	0	0.00	0.00	0.00

**FIRST TIME HOME BUYER INDICATOR**

	AGGREGATE LOAN COUNT	PERCENTAGE LOAN COUNT	AGGREGATE INVESTOR LOAN UPB (\$)	PERCENTAGE INVESTOR LOAN UPB
YES .....	6	16.22	1,124,000.00	16.02
NO .....	31	83.78	5,890,895.00	83.98
NOT AVAILABLE .....	0	0.00	0.00	0.00

**NUMBER OF BORROWERS**

	AGGREGATE LOAN COUNT	PERCENTAGE LOAN COUNT	AGGREGATE INVESTOR LOAN UPB (\$)	PERCENTAGE INVESTOR LOAN UPB
1 .....	27	72.97	5,099,395.00	72.69
2 .....	10	27.03	1,915,500.00	27.31
> 2 .....	0	0.00	0.00	0.00
NOT AVAILABLE .....	0	0.00	0.00	0.00

**NUMBER OF UNITS**

	AGGREGATE LOAN COUNT	PERCENTAGE LOAN COUNT	AGGREGATE INVESTOR LOAN UPB (\$)	PERCENTAGE INVESTOR LOAN UPB
1 .....	33	89.19	6,243,975.00	89.01
2 .....	3	8.11	591,000.00	8.42
3 .....	1	2.70	179,920.00	2.56
4 .....	0	0.00	0.00	0.00
NOT AVAILABLE .....	0	0.00	0.00	0.00

**NOT PAYING PRINCIPAL IN FIRST DISTRIBUTION**

	AGGREGATE LOAN COUNT	PERCENTAGE LOAN COUNT	AGGREGATE INVESTOR LOAN UPB (\$)	PERCENTAGE INVESTOR LOAN UPB
NOT PAYING PRINCIPAL IN FIRST DISTRIBUTION .....	29	78.38	5,518,395.00	78.67

**PROPERTY STATE**

	AGGREGATE LOAN COUNT	PERCENTAGE LOAN COUNT	AGGREGATE INVESTOR LOAN UPB (\$)	PERCENTAGE INVESTOR LOAN UPB
California .....	8	21.62	1,543,750.00	22.01
Florida .....	7	18.92	1,287,920.00	18.36
Utah .....	3	8.11	582,550.00	8.30
Michigan .....	3	8.11	564,600.00	8.05
Texas .....	3	8.11	564,125.00	8.04
Ohio .....	2	5.41	393,800.00	5.61
Arizona .....	2	5.41	392,000.00	5.59
Colorado .....	2	5.41	382,500.00	5.45
New Jersey .....	1	2.70	200,000.00	2.85
Kentucky .....	1	2.70	199,200.00	2.84
Georgia .....	1	2.70	190,000.00	2.71
Louisiana .....	1	2.70	181,500.00	2.59
Missouri .....	1	2.70	180,000.00	2.57
Illinois .....	1	2.70	177,750.00	2.53
Nevada .....	1	2.70	175,200.00	2.50

**SELLER NAME(S)**

	AGGREGATE LOAN COUNT	PERCENTAGE LOAN COUNT	AGGREGATE INVESTOR LOAN UPB (\$)	PERCENTAGE INVESTOR LOAN UPB	REMAINING MONTHS TO MATURITY			LOAN AGE			INTEREST RATE (%)		
					HIGH	LOW	WEIGHTED AVERAGE	HIGH	LOW	WEIGHTED AVERAGE	HIGH	LOW	WEIGHTED AVERAGE
XXXXXXX ..	37	100.00	7,014,895.00	100.00	360	360	360	0	1-	1-	5.625	4.75	4.999

**SERVICER NAME(S)**

	AGGREGATE LOAN COUNT	PERCENTAGE LOAN COUNT	AGGREGATE INVESTOR LOAN UPB (\$)	PERCENTAGE INVESTOR LOAN UPB	REMAINING MONTHS TO MATURITY			LOAN AGE			INTEREST RATE (%)		
					HIGH	LOW	WEIGHTED AVERAGE	HIGH	LOW	WEIGHTED AVERAGE	HIGH	LOW	WEIGHTED AVERAGE
XXXXXXX ..	37	100.00	7,014,895.00	100.00	360	360	360	0	1-	1-	5.625	4.75	4.999

**INFORMATION RELATING TO EXAMPLE 30-YEAR HYBRID ARM PC**

**SECURITY DESCRIPTION**

PREFIX .....	2B
SECURITY IDENTIFIER/POOL NUMBER .....	2BXXXXX
CUSIP .....	XXXXXXXXXX
INVESTOR SECURITY UPB (\$) .....	11,509,420.00
WEIGHTED AVERAGE NET INTEREST RATE (%) .....	3.091
ISSUE DATE .....	03/01/2018
FIRST PAYMENT DATE .....	05/15/2018
MATURITY DATE .....	03/2048
INTEREST ONLY SECURITY INDICATOR .....	NO
PREPAYMENT PENALTY INDICATOR .....	NO
REDUCED MINIMUM SERVICING INDICATOR .....	NO

**SECURITY STATISTICS (AS OF ISSUE DATE)**

LOAN COUNT .....	27
AVERAGE MORTGAGE LOAN AMOUNT (\$) .....	426,555.00
WEIGHTED AVERAGE MORTGAGE LOAN AMOUNT (\$) .....	486,081.00
WEIGHTED AVERAGE INTEREST RATE (%) .....	3.711
WEIGHTED AVERAGE LOAN AGE .....	0
WEIGHTED AVERAGE LOAN TERM .....	360
WEIGHTED AVERAGE REMAINING MONTHS TO MATURITY .....	360
WEIGHTED AVERAGE LOAN-TO-VALUE (LTV) .....	62
WEIGHTED AVERAGE COMBINED LOAN-TO-VALUE (CLTV) .....	63
WEIGHTED AVERAGE BORROWER CREDIT SCORE .....	763
WEIGHTED AVERAGE DEBT-TO-INCOME (DTI) .....	39
SELLER NAME(S) .....	XXXXXXXX
SERVICER NAME(S) .....	XXXXXXXX

**ARM DETAIL INFORMATION**

INDEX .....	LIBOR_1YR_WSJ_DLY
INITIAL FIXED-RATE PERIOD (MONTHS) .....	79 - 90
INTEREST RATE ADJUSTMENT FREQUENCY .....	12
INITIAL INTEREST RATE CAP UP (%) .....	5.000
INITIAL INTEREST RATE CAP DOWN (%) .....	5.000
PERIODIC INTEREST RATE CAP UP (%) .....	2.000
PERIODIC INTEREST RATE CAP DOWN (%) .....	2.000
WEIGHTED AVERAGE LIFE INTEREST RATE CEILING (%) .....	8.711
WEIGHTED AVERAGE NET LIFE INTEREST RATE CEILING (%) .....	8.091
WEIGHTED AVERAGE LIFE INTEREST RATE FLOOR (%) .....	2.250
WEIGHTED AVERAGE NET LIFE INTEREST RATE FLOOR (%) .....	1.630
FIRST INTEREST RATE ADJUSTMENT DATE .....	02/2025
WEIGHTED AVERAGE MONTHS TO NEXT INTEREST RATE ADJUSTMENT DATE .....	84
INTEREST RATE LOOKBACK .....	45
WEIGHTED AVERAGE MORTGAGE MARGIN (%) .....	2.250
WEIGHTED AVERAGE MBS MARGIN (%) .....	1.630
SUBTYPE .....	
CONVERTIBILITY INDICATOR .....	NO

### QUARTILE DISTRIBUTION

	MORTGAGE LOAN AMOUNT (\$)	INTEREST RATE (%)	NET INTEREST RATE (%)	LOAN TERM	LOAN AGE	LOAN-TO- VALUE (LTV)	REMAINING MONTHS TO MATURITY	ESTIMATED LOAN-TO- VALUE (ELTV)	COMBINED LOAN-TO- VALUE (CLTV)	BORROWER CREDIT SCORE	UPDATED CREDIT SCORE	DEBT-TO- INCOME (DTI)
MAXIMUM . . .	680,000.00		4.130	360	2	95	360		95	811		48
75% . . . . .	619,000.00		3.255	360	0	71	360		71	802		46
MEDIAN . . . . .	491,000.00		3.005	360	0	69	360		69	772		39
25% . . . . .	326,000.00		2.880	360	0	51	360		55	737		33
MINIMUM . . . . .	214,000.00		2.755	360	0	21	358		21	650		26

### UNAVAILABLE DATA

	AGGREGATE LOAN COUNT	PERCENTAGE LOAN COUNT	AGGREGATE INVESTOR LOAN UPB (\$)	PERCENTAGE INVESTOR LOAN UPB
.....				

### LOAN PURPOSE

	AGGREGATE LOAN COUNT	PERCENTAGE LOAN COUNT	AGGREGATE INVESTOR LOAN UPB (\$)	PERCENTAGE INVESTOR LOAN UPB
PURCHASE . . . . .	11	40.74	4,289,082.35	37.27
REFINANCE - CASH OUT . . . . .	8	29.63	2,787,662.00	24.22
REFINANCE - NO CASH OUT . . . . .	8	29.63	4,432,676.04	38.51
REFINANCE - NOT SPECIFIED . . . . .	0	0.00	0.00	0.00
NOT AVAILABLE . . . . .	0	0.00	0.00	0.00

### OCCUPANCY STATUS

	AGGREGATE LOAN COUNT	PERCENTAGE LOAN COUNT	AGGREGATE INVESTOR LOAN UPB (\$)	PERCENTAGE INVESTOR LOAN UPB
PRIMARY RESIDENCE . . . . .	18	66.67	8,337,270.39	72.44
SECOND HOME . . . . .	3	11.11	759,900.00	6.60
INVESTMENT PROPERTY . . . . .	6	22.22	2,412,250.00	20.96
NOT AVAILABLE . . . . .	0	0.00	0.00	0.00

### PROPERTY TYPE

	AGGREGATE LOAN COUNT	PERCENTAGE LOAN COUNT	AGGREGATE INVESTOR LOAN UPB (\$)	PERCENTAGE INVESTOR LOAN UPB
COOPERATIVE . . . . .	0	0.00	0.00	0.00
CONDOMINIUM . . . . .	6	22.22	3,145,841.41	27.33
PLANNED UNIT DEVELOPMENT . . . . .	5	18.52	1,571,312.00	13.65
SINGLE-FAMILY . . . . .	16	59.26	6,792,266.98	59.01
MANUFACTURING HOUSING . . . . .	0	0.00	0.00	0.00
NOT AVAILABLE . . . . .	0	0.00	0.00	0.00

### ORIGINATION YEAR

	AGGREGATE LOAN COUNT	PERCENTAGE LOAN COUNT	AGGREGATE INVESTOR LOAN UPB (\$)	PERCENTAGE INVESTOR LOAN UPB
2017 . . . . .	1	3.70	257,969.35	2.24
2018 . . . . .	26	96.30	11,251,451.04	97.76



**CHANNEL**

	AGGREGATE LOAN COUNT	PERCENTAGE LOAN COUNT	AGGREGATE INVESTOR LOAN UPB (\$)	PERCENTAGE INVESTOR LOAN UPB
BROKER .....	0	0.00	0.00	0.00
CORRESPONDENT .....	1	3.70	400,000.00	3.48
RETAIL .....	26	96.30	11,109,420.39	96.52
THIRD-PARTY ORIGATION - NOT SPECIFIED .....	0	0.00	0.00	0.00
NOT AVAILABLE .....	0	0.00	0.00	0.00

**MORTGAGE INSURANCE CANCELLATION INDICATOR**

	AGGREGATE LOAN COUNT	PERCENTAGE LOAN COUNT	AGGREGATE INVESTOR LOAN UPB (\$)	PERCENTAGE INVESTOR LOAN UPB
YES .....	0	0.00	0.00	0.00
NO .....	4	14.81	1,113,750.00	9.68
NOT APPLICABLE .....	23	85.19	10,395,670.39	90.32

**MORTGAGE INSURANCE COVERAGE**

	AGGREGATE LOAN COUNT	PERCENTAGE LOAN COUNT	AGGREGATE INVESTOR LOAN UPB (\$)	PERCENTAGE INVESTOR LOAN UPB
LOANS WITH MORTGAGE INSURANCE .....	4	14.81	1,113,750.00	9.68
LOANS WITHOUT MORTGAGE INSURANCE .....	23	85.19	10,395,670.39	90.32
NOT AVAILABLE .....	0	0.00	0.00	0.00

**FIRST TIME HOME BUYER INDICATOR**

	AGGREGATE LOAN COUNT	PERCENTAGE LOAN COUNT	AGGREGATE INVESTOR LOAN UPB (\$)	PERCENTAGE INVESTOR LOAN UPB
YES .....	4	14.81	2,043,432.35	17.75
NO .....	23	85.19	9,465,988.04	82.25
NOT AVAILABLE .....	0	0.00	0.00	0.00

**NUMBER OF BORROWERS**

	AGGREGATE LOAN COUNT	PERCENTAGE LOAN COUNT	AGGREGATE INVESTOR LOAN UPB (\$)	PERCENTAGE INVESTOR LOAN UPB
1 .....	16	59.26	7,336,928.98	63.75
2 .....	9	33.33	3,596,272.06	31.25
> 2 .....	2	7.41	576,219.35	5.01
NOT AVAILABLE .....	0	0.00	0.00	0.00

**NUMBER OF UNITS**

	AGGREGATE LOAN COUNT	PERCENTAGE LOAN COUNT	AGGREGATE INVESTOR LOAN UPB (\$)	PERCENTAGE INVESTOR LOAN UPB
1 .....	25	92.59	10,935,420.39	95.01
2 .....	0	0.00	0.00	0.00
3 .....	2	7.41	574,000.00	4.99
4 .....	0	0.00	0.00	0.00
NOT AVAILABLE .....	0	0.00	0.00	0.00

**NOT PAYING PRINCIPAL IN FIRST DISTRIBUTION**

	AGGREGATE LOAN COUNT	PERCENTAGE LOAN COUNT	AGGREGATE INVESTOR LOAN UPB (\$)	PERCENTAGE INVESTOR LOAN UPB
NOT PAYING PRINCIPAL IN FIRST DISTRIBUTION .....	0	0.00	0.00	0.00

**PROPERTY STATE**

	AGGREGATE LOAN COUNT	PERCENTAGE LOAN COUNT	AGGREGATE INVESTOR LOAN UPB (\$)	PERCENTAGE INVESTOR LOAN UPB
California .....	15	55.56	7,385,520.39	64.17
Washington .....	3	11.11	1,594,250.00	13.85
Oregon .....	2	7.41	581,500.00	5.05
New York .....	1	3.70	400,000.00	3.48
North Dakota .....	1	3.70	332,500.00	2.89
Iowa .....	1	3.70	318,250.00	2.77
Tennessee .....	1	3.70	247,000.00	2.15
South Carolina .....	1	3.70	220,000.00	1.91
Florida .....	1	3.70	216,000.00	1.88
North Carolina .....	1	3.70	214,400.00	1.86

**SELLER NAME(S)**

	AGGREGATE LOAN COUNT	PERCENTAGE LOAN COUNT	AGGREGATE INVESTOR LOAN UPB (\$)	PERCENTAGE INVESTOR LOAN UPB	REMAINING MONTHS TO MATURITY			LOAN AGE			INTEREST RATE (%)		
					HIGH	LOW	WEIGHTED AVERAGE	HIGH	LOW	WEIGHTED AVERAGE	HIGH	LOW	WEIGHTED AVERAGE
XXXXX ...	27	100.00	11,509,420.39	100.00	360	358	360	2	0	0	4.750	3.37	3.711

**SERVICER NAME(S)**

	AGGREGATE LOAN COUNT	PERCENTAGE LOAN COUNT	AGGREGATE INVESTOR LOAN UPB (\$)	PERCENTAGE INVESTOR LOAN UPB	REMAINING MONTHS TO MATURITY			LOAN AGE			INTEREST RATE (%)		
					HIGH	LOW	WEIGHTED AVERAGE	HIGH	LOW	WEIGHTED AVERAGE	HIGH	LOW	WEIGHTED AVERAGE
XXXXX ...	27	100.00	11,509,420.39	100.00	360	358	360	2	0	0	4.750	3.37	3.711

**NEXT INTEREST RATE ADJUSTMENT DATE**

NEXT INTEREST RATE ADJUSTMENT DATE DISTRIBUTION	MONTHS TO NEXT INTEREST RATE ADJUSTMENT DATE	INTEREST ONLY FIRST P&I PAYMENT DATE	AGGREGATE LOAN COUNT	PERCENTAGE LOAN COUNT	AGGREGATE INVESTOR LOAN UPB (\$)	PERCENTAGE INVESTOR LOAN UPB	WEIGHTED AVERAGE INTEREST RATE - CURRENT (%)	INTEREST RATE HIGH CURRENT (%)	INTEREST RATE LOW CURRENT (%)	WEIGHTED AVERAGE NET INTEREST RATE CURRENT (%)
02/2025 .....	83		1	3.70	257,969.35	2.240	3.130	3.130	3.130	
04/2025 .....	85		26	96.29	11,251,451.04	97.750	3.091	4.130	2.755	

NEXT INTEREST RATE ADJUSTMENT DATE DISTRIBUTION	NET INTEREST RATE HIGH CURRENT (%)	NET INTEREST RATE LOW CURRENT (%)	WEIGHTED AVERAGE MORTGAGE MARGIN (%)	MORTGAGE MARGIN HIGH (%)	MORTGAGE MARGIN LOW (%)	WEIGHTED AVERAGE MBS/PC MARGIN (%)	MBS/PC MARGIN HIGH (%)	MBS/PC MARGIN LOW (%)	WEIGHTED AVERAGE NET LIFE INTEREST RATE CEILING (%)	NET LIFE INTEREST RATE CEILING HIGH (%)
02/2025 .....						1.630	1.630	1.630	8.130	8.130
04/2025 .....						1.630	1.630	1.630	8.091	9.130

NEXT INTEREST RATE ADJUSTMENT DATE DISTRIBUTION	NET RATE INTEREST RATE CEILING LOW (%)	WEIGHTED AVERAGE LIFE INTEREST RATE CEILING (%)	LIFE INTEREST RATE CEILING HIGH (%)	LIFE INTEREST RATE CEILING LOW (%)	WEIGHTED AVERAGE NET LIFE INTEREST RATE FLOOR HIGH (%)	NET LIFE INTEREST RATE FLOOR HIGH (%)	NET LIFE INTEREST RATE FLOOR LOW (%)	WEIGHTED AVERAGE LIFE INTEREST RATE FLOOR (%)	LIFE INTEREST RATE FLOOR HIGH (%)	LIFE INTEREST RATE FLOOR LOW (%)
02/2025 .....	8.130				1.630	1.630	1.630			
04/2025 .....	7.755				1.630	1.630	1.630			

