



# 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 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.

**The PCs may not be suitable investments for you. You should not purchase PCs unless you have carefully considered and are able to bear the associated prepayment, interest rate, yield and market risks of investing in them. The *Risk Factors* section beginning on page 9 highlights some of these risks.**

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 loan-level information regarding each of the Mortgages backing our PCs based on information furnished to us by the sellers of the Mortgages. We may not have independently verified information furnished to us by sellers 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**”).

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 website and furnish them upon request. We have not verified the information in Additional Supplements and make no representations or warranties concerning the accuracy or completeness of that information.

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 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

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

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

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

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

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

## ADDITIONAL INFORMATION

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

You can obtain copies of this Offering Circular, any Additional Supplement, our most recent Information Statement, any subsequent Information Statement Supplements and the PC Master Trust Agreement dated as of December 31, 2007 (as amended from time to time, the “**Trust Agreement**”) and the applicable Pool Supplement under which PCs are issued from:

<p><b>Freddie Mac — Investor Inquiry</b> <b>1551 Park Run Drive, Mailstop D5B</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:InvestorInquiry@freddiemac.com">InvestorInquiry@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 December 31, 2007. For information about PCs issued before that date, see the related Offering Circular (available on our internet website) that was in effect at the time of issuance of those PCs. However, under the Trust Agreement, Freddie Mac has agreed to act as Trustee for and to administer all existing PCs substantially in accordance with the Trust Agreement, as described in this Offering Circular.

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

## SUMMARY

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

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

**PC Pools** . . . . . As Depositor, we transfer and deposit Mortgages that we have acquired into various trust funds established pursuant to the Trust Agreement and applicable Pool Supplements. As Trustee for these trust funds, we create and issue under the Trust Agreement and related Pool Supplements PCs representing undivided beneficial ownership interests in pools of Mortgages and related assets held by those trust funds (“**PC Pools**”). Investors in PCs own beneficially their pro rata shares of the Mortgages in the related PC Pool. PC Pools generally have a minimum size at formation of \$1,000,000 for Gold PCs and \$500,000 for ARM PCs, but there is 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.

**Types of PCs** . . . . . Each “**Gold PC**” represents an interest in a PC Pool containing fixed-rate, level payment, fully amortizing Mortgages, fixed-rate Initial Interest Mortgages or fixed-rate Balloon/Reset Mortgages.

Each “ARM PC” represents an interest in a PC Pool containing ARMs.

**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 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 management and guarantee fees for our services as Administrator and Guarantor.

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

- **Principal** ..... We pass through all principal payments made on the Mortgages in a PC Pool. We base the amount of 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 truncated to eight places which, when multiplied by the original principal balance of the related PC, equals the remaining principal balance of the PC after giving effect to the principal payment to be made in the same month for Gold PCs or in the following month for ARM PCs. As Administrator, we publish Pool Factors on or about the fifth Business Day of each month. 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.**

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

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

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

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

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

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

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

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

## RISK FACTORS

Although we guarantee the payments on PCs and so bear the associated credit risk of the underlying Mortgages, as an investor you will bear the other risks of owning mortgage securities. This section highlights some of these risks. Investors should carefully consider the risks described below and elsewhere in this Offering Circular, the applicable Pool Supplement and the other documents referred to in *Additional Information* before deciding to purchase PCs. However, neither this Offering Circular nor those other documents describe all the possible risks of an investment in PCs that may result from your particular circumstances, nor do they project how PCs will perform under all possible interest rate and economic scenarios.

### **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, the applicable Pool Supplement and the documents referred to in *Additional Information*, as well as the economic and other factors that may affect your investment. If you require a definite payment stream, or a single payment on a specific date, PCs are not suitable investments for you. If you purchase PCs, you need to have enough financial resources to bear all of the risks related to your investment.

**PCs are subject to liquidity 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. 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 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 a PC; 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 could affect prices for your PCs. In addition, any adverse change in the market perception of our 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.

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

## **Prepayment and Yield Factors:**

**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 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.
- Mortgage characteristics, such as the geographic location of the mortgaged properties, loan size, borrower credit scores or loan-to-value ratios. These characteristics may be concentrated in a PC Pool, either initially or as a result of changes over time. 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.
- 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. Some of our Mortgage purchase programs may facilitate these practices.
- 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. To mitigate this risk, 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, natural disasters, declining property values or increased use of secondary financing or as a result of other factors that decrease borrowers' equity. 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.
- Repurchases of Mortgages from PC Pools may occur due to breaches of representations and warranties by the sellers of those Mortgages.
- Repurchases of Mortgages from PC Pools may occur when the terms of those Mortgages are modified as a result of default or imminent default.
- 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.

**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.
- 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.
- 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.
- 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.
- 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.
- FHA/VA Mortgages may exhibit different prepayment behavior than Conventional Mortgages because they are underwritten using different criteria and they are usually Assumable Mortgages.

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.
- 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.

## APPLICATION OF PROCEEDS

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

## DESCRIPTION OF THE MORTGAGES

### General

Mortgages typically are evidenced by mortgage notes secured by mortgages or deeds of trust or other similar security instruments creating 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 Department of Veterans Affairs or the Rural Housing Service 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 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.

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, Balloon/Reset Mortgages and Initial Interest Mortgages. They are described below.

- **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.
- **Balloon/Reset Mortgages** have original terms to maturity of generally five or seven years, and require level monthly payments of principal and interest based on an amortization schedule of up to 30 years. The amount of the monthly payment remains constant until the end of the five- or seven-year term. At that time, the borrower may either pay the outstanding principal balance of the Mortgage (as a balloon payment) or, subject to certain conditions, extend and reset the loan at a then-current market rate for a 30-year, fixed-rate mortgage. We repurchase Balloon/Reset Mortgages from PC Pools shortly before their maturity or reset dates.
- **Initial Interest Mortgages** 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. On fixed-rate Initial Interest Mortgages that we acquire, the initial interest only period generally will be for 10 years followed by a 10-year fully amortizing period, 15 years followed by a 15-year fully amortizing period, or for 10 years followed by a 20-year fully amortizing period, but other combinations are also possible. 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.

## 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 margin (the “**Margin**”) plus the value of a specified index (“**Index**”). The adjustment value of the Index is the most recent value available a specified number of days before the adjustment date. This interval is the “lookback” period. Many ARMs are convertible to a fixed interest rate during a specified time period. 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.

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.
- **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. The Initial Interest ARMs that we acquire 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.

### *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*.
- **National COF Index:** The “Monthly Median Annualized Cost of Funds for OTS-Regulated Institutions,” as released by the Office of Thrift Supervision.
- **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.

## Special Mortgage Characteristics

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:

- 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 maintenance charges, including payments on the blanket mortgage, real property taxes, insurance, maintenance costs and other capital and ordinary 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 **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.
- 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. 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.
- 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. 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 do 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, one of the more common combinations is a prepayment penalty that lapses after three years and has an assessment of 2% on prepaid amounts exceeding 20% of the Mortgage's original principal balance. Currently, the servicer retains all prepayment penalties. Prepayment penalties are not passed through to 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. Applicable laws may also affect whether a prepayment penalty can be collected or limit the amount that can be collected.

- A **Reduced Servicing Fee 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. These Mortgages do not include any mortgages guaranteed by the Rural Housing Service.
- 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.

## **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, in order to manage credit risks with respect to our Mortgage purchases, we have developed internal credit policies and appraisal, underwriting and other purchase policies and guidelines. We design mortgage loan underwriting guidelines to communicate to mortgage lenders our purchase requirements regarding the creditworthiness of the borrower and the borrower's capacity to fulfill the obligations of the mortgage. We review these guidelines in an effort to ensure their effectiveness and to address the needs of the changing marketplace — including low- and moderate-income borrowers and other borrowers who are underserved by the traditional housing finance system.

We seek to manage the underlying credit risk by adequately pricing for the risk we assume using our underwriting and quality control processes. We use a process of delegated underwriting for the Mortgages we purchase. In this process, we provide originators with a series of mortgage underwriting standards and they represent and warrant to us that the Mortgages sold to us meet these requirements. We subsequently review a sample of these Mortgages and, if we determine that any Mortgage is not in compliance with our contractual standards, we may require the seller to repurchase that Mortgage or make us whole in the event of a default. We provide originators with written standards and/or automated underwriting tools, such as Loan Prospector®. Loan Prospector® generates a credit risk classification by evaluating information on significant indicators of mortgage default risk, such as LTV ratio, credit score and other mortgage and borrower characteristics. These statistically-based risk assessment tools increase our ability to distinguish among Mortgages based on their expected risk, return and importance to our mission. In many cases, underwriting standards are tailored under contracts with individual customers. We have been expanding the share of Mortgages we purchase that were underwritten by our sellers using alternative automated underwriting systems or agreed-upon underwriting standards that differ from our system or guidelines. We regularly monitor the performance of Mortgages purchased using these systems and standards.

We summarize below certain of our 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 imposes limits, which are subject to an annual adjustment, on the maximum original principal amount of any one- to four-family mortgage that we may purchase. These limits are commonly referred to as “conforming loan limits.” For 2008, the conforming loan limits for first-lien

Conventional Mortgages are: \$417,000 (single-family); \$533,850 (two-family); \$645,300 (three-family) and \$801,950 (four-family). The applicable conforming loan limits are 50% higher for all Mortgages secured by properties located in Alaska, Guam, Hawaii and the U.S. Virgin Islands. Conforming loan limits for second-lien Mortgages are 50% of those for single-family first-lien Mortgages. When we purchase both the first-lien Mortgage and the second-lien Mortgage on the same property, the total amount we purchase may not exceed the applicable conforming first-lien loan limit.

In general, a loan-to-value (“LTV”) ratio is a ratio of (a) the total principal balance of a Mortgage or the total mortgage indebtedness 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 (if a first lien) or the total outstanding mortgage indebtedness (if a Second Mortgage) exceeds 80% of the value of the related 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 an approved mortgage insurer; 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 Mortgages.

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 having LTV ratios in excess of 95% in order to enable borrowers to purchase homes or refinance existing mortgages and pay certain related expenses. However, we currently do not expect to purchase and pool Mortgages with LTV ratios exceeding 105%.

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 Veterans Administration or the Rural Housing Service, the federal government agencies which insure or guarantee them, rather than our underwriting standards.

### *Eligible Sellers, Servicers and Warranties*

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

When we purchase a Mortgage, we rely on 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.

#### ***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 Mortgage from its PC Pool shortly before:

- A Balloon/Reset Mortgage reaches its scheduled maturity or reset date, regardless of whether the borrower decides to pay the Mortgage in full or extend it at a reset interest rate.
- A convertible ARM converts to a fixed-rate Mortgage upon the borrower's exercise of the conversion option.

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 warranty by a seller or servicer as to that Mortgage. Substitutions of Mortgages are far less common than cash repurchases. Mortgage repurchases may also occur due to defaults and delinquencies. See *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.

### ***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 if we determine that the borrower would be able to make all payments under the modified Mortgage terms.
- Pursue a refinancing of the Mortgage or a preforeclosure contract for sale of the underlying property.
- Charge off all or part of the unpaid principal balance of the Mortgage.
- 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 alternate measures to resolve the delinquency before the conclusion of the foreclosure proceedings, if such measures appear likely to mitigate our potential losses. If, after demand for acceleration, a borrower 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.

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.

Our Information Statement and certain Information Statement Supplements 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.

## 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 fixed-rate, level payment, fully amortizing Mortgages, fixed-rate Initial Interest Mortgages or Balloon/Reset Mortgages. 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.

### 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 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 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 frequently used 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.
- 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.

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

- The interest rates of the Mortgages in a 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.
- Balloon/Reset Mortgages are pooled separately based on the original term to the maturity or reset date (five or seven years).
- 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.

### ***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.
- Convertible ARMs still in their convertible periods may be pooled only with other Convertible ARMs.

### **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 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 truncated 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 the payment to be made on the Payment Date:

- In the same month, for Gold PCs.
- In the following month, for ARM PCs.

Currently, we make Pool Factors available on or about the fifth Business Day of each month. 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 truncated 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, including all prepayments, on the Mortgages in a PC Pool for the applicable one-month reporting period (a “**Monthly Reporting Period**”). For any Payment Date, the applicable Monthly Reporting Period generally is:

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

As Administrator, we have the right to change the Monthly Reporting Period for any PCs as provided in the Trust Agreement.

## **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 such prepayments and principal reported on the first Business Day of the calendar month following such Monthly Reporting Period.
- Any adjustments necessary to reconcile the principal balance of the PC Pool with the aggregate balance of the related Mortgages reported to us by servicers.

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

We calculate the scheduled principal payment due on Gold PCs backed by Balloon/Reset Mortgages assuming the same (usually 30-year) term used to amortize the related Mortgages rather than the term to the balloon/reset date. The monthly payments made on these PCs reflect this amortization schedule, except for the final payment, which includes the remaining balloon payment.

### ***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 such prepayments and principal reported on the first 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 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 fixed-rate 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 on page 4. 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 interest rate of the Mortgages in the related PC Pool, minus applicable servicing fees and our management and guarantee fee. The PC Coupon of an ARM PC is an exact decimal truncated to three places. *Description of the Mortgages — Indices* describes the Indices most often used to adjust ARMs and ARM PCs.

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.

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.

### **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 management and guarantee fees for our services as Administrator and Guarantor under the Trust Agreement and related Pool Supplement, and the amounts retained by servicers are treated as servicing fees.

### **Pool Supplements**

As Administrator, we make available on our internet website a Pool Supplement for each PC Pool when it is formed. The Pool Supplement identifies on a pool-level basis the features of the Mortgages in the related PC Pool and sets forth data concerning that PC Pool. We have attached as *Appendix III* to this Offering Circular an example of a Pool Supplement, and definitions of terms we use in Pool Supplements are attached as *Appendix IV*. 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. Pool Supplements for PC Pools containing fixed-rate Mortgages contain different information than Pool Supplements for ARM PCs, and generally will exclude the data fields shown in *Appendix III* that are applicable only to ARM PCs and include the data fields that apply only to Gold PCs.

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 Department of Housing and Urban Development's regulations governing our book-entry securities (24 C.F.R. Part 81, Subpart H) and any procedures that we and a Federal Reserve Bank may adopt apply to the issuance and recordation of, and transfers of interests (including security interests) in, the PCs. Holders' individual accounts are governed by operating circulars and letters of the Federal Reserve Banks.

Each issue of PCs is identified by a unique nine-character 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 default, delinquency, inaccurate representations and warranties made by sellers or other 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:

- 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. Some of our Mortgage purchase programs may facilitate these practices.
- 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. To mitigate this risk, 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.
- 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 high may experience different prepayment rates than PC Pools in which relatively low 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 of the Mortgages.

- Repurchases of Mortgages from PC Pools may occur when the terms of those Mortgages are modified as a result of default or imminent default.
- 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 period.
- Convertible ARMs may be converted to fixed-rate mortgages, which will be repurchased from the PC Pool shortly before their conversion.
- 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.
- 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, when scheduled principal payments on these Mortgages commence, the required monthly payment may increase substantially because scheduled principal payments are calculated to pay off such a Mortgage over its then remaining term.
- Reduced Servicing Fee 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 Servicing Fee 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.
- 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.
- 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.
- 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.

The rate of defaults and resulting repurchases of the Mortgages in a PC Pool will also affect the prepayment behavior of that PC Pool. Defaults may increase during periods of economic recession, natural disasters, declining property values or increased use of secondary financing or as a result of other factors that decrease borrowers' equity. 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 Mortgage having the same principal amount, interest rate and maturity. As a result, the yield of an Initial Interest Mortgage may be more or less than the yield of the fully amortizing Mortgage, depending on its purchase price. PC Pools containing Initial Interest Mortgages may therefore have different yields than PC Pools containing level payment, fully amortizing Mortgages having otherwise similar terms. 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 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 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.
- 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 ARM's 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 PC's, 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 PC's, or 75 days earlier, in the case of ARM PC's.
- 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 PC's and ARM PC's, respectively).

### **Suitability**

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

- PC's 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 PC's after their initial issuance. Even if a market develops, it may not continue. As a result, you may not be able to sell your PC's easily or at prices that will allow you to realize your desired yield.
- The market values of your PC's 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 PC's 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 PC's, 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 December 31, 2007, as amended from time to time, as Depositor, we transfer and deposit Mortgages that we have acquired into various trust funds. As Trustee, we create and issue PCs under the Trust Agreement and related Pool Supplements. The following summary describes various provisions of the Trust Agreement. This summary is not complete. You should refer to the Trust Agreement 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 on page 4. 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.

### **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.
- We may repurchase under our guarantees or, as Administrator, 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, and
  - a Balloon/Reset Mortgage shortly before it reaches its scheduled maturity or reset date.

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

As Administrator, we hold principal and interest 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 temporarily with other collections on Mortgages) and are not separated on a PC Pool by PC Pool basis. As Administrator, we are entitled to investment earnings on funds on deposit in the custodial account and we are responsible for any losses. Holders are not entitled to any investment earnings from the custodial account. We may invest funds in the custodial account in eligible investments set forth in the Trust Agreement prior to distribution to Holders.

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

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

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

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

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

### **Events of Default**

“Events of Default” under the Trust Agreement are:

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

### **Rights Upon Event of Default**

If an Event of Default under the Trust Agreement is not remedied, the Holders of a majority of the outstanding principal amount of any affected PC Pool may remove us as Administrator and nominate a successor as to that PC Pool. That nominee will replace us, as Administrator, unless we object within 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 will be disregarded.

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

## **Control by Holders and Voting Rights**

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

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

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

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

## **Amendment**

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

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

With the consent of the Holders of a majority of the outstanding principal amount of any affected issue of PCs, Freddie Mac and the Trustee also may amend the Trust Agreement or any Pool Supplement in any other way. However, unless each affected Holder consents, Freddie Mac

and the Trustee may not amend the Trust Agreement or any Pool Supplement to impair the rights of a Holder to receive payments (including guarantee payments) when due or to sue for any payment that is overdue.

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

### **Tax Information**

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

### **Termination**

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

### **Various Matters Regarding Freddie Mac**

Neither Freddie Mac, in its corporate capacity, nor any of our directors, officers, employees and agents will not 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. Freddie Mac will bear the legal costs of any such action.

Freddie Mac may acquire PCs. Except as described under *Rights Upon Event of Default* and *Control by Holders and Voting Rights* above, PCs we hold will be treated the same as PCs held by other Holders.

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

### **Governing Law**

The Trust Agreement is to be interpreted in accordance with federal law. If there is no applicable federal precedent and if the application of New York law would not frustrate the purposes of the Freddie Mac Act, the Trust Agreement 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**

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

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

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

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.

### **Tax Status**

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

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

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

PCs generally will be considered to represent "real estate assets" within the meaning of Section 856(c)(5)(B) of the Code. Interest income from the PCs 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 should 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.

PCs will constitute "loans. . . secured by an interest in real property which is. . . residential real property" within the meaning of Section 7701(a)(19)(C)(v) of the Code for purposes of determining whether an institution qualifies as a "domestic building and loan association."

### **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) and 7701(a)(19)(C)(v) 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 Reform Act of 1997, could affect the accrual of discount or amortization of premium on your PCs or otherwise affect the tax accounting for your PCs.

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

### ***Original Issue Discount***

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

### ***Market Discount***

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

- Market discount will be considered to accrue under a straight-line method unless you elect to calculate it under a constant interest method.
- Interest that you paid or that accrues on indebtedness that you incurred or continued to purchase or carry Mortgages acquired at a market discount will be allowed as a deduction only to the extent that such interest, reduced by the interest on the Mortgages 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 interest method, on all market discount obligations you hold except those acquired in taxable years before the year of the election. An election to include market discount as income currently can be revoked only with the 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 interest method at your election under Section 171 of the Code. The premium is treated as an offset to interest income includable with respect to the Mortgage. An election to amortize premium will apply to all debt instruments you hold at the beginning of the tax year for which you make the election and to all such instruments acquired after the election. An election to amortize premium can be revoked only with the Service's consent.

### ***Constant Yield Method***

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

### ***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 in 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 Series 1271-1273 and 1275 of the Code.

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

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

### **Backup Withholding, Foreign Withholding and Information Reporting**

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

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

- The Mortgages underlying the investor’s PCs all were originated after July 18, 1984.
- The PC is not held by the investor in connection with a trade or business in the United States (or, if an income tax treaty applies, is not attributable to a U.S. permanent establishment or fixed base).
- The investor is not, with respect to the United States, a corporation that accumulates earnings in order to avoid federal income tax.

- The investor is not a U.S. expatriate or former U.S. resident who is taxable in the manner provided in Section 877(b) of the Code.
- The investor provides a statement (on Internal Revenue Service Form W-8BEN or a similar substitute form) signed under penalties of perjury that includes its name and address and certifies that it is not a U.S. Person in accordance with applicable requirements.

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

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

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

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

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

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

## **ERISA CONSIDERATIONS**

A Department of Labor regulation provides that if an employee benefit plan subject to the Employee Retirement Income Security Act of 1974, as amended (“**ERISA**”) acquires a “guaranteed governmental mortgage pool certificate,” then, for purposes of the fiduciary responsibility and prohibited transaction provisions of ERISA and the Code, the plan’s assets include the certificate and all of its rights in the certificate, but do not, solely by reason of the plan’s holding of the

certificate, include any of the mortgages underlying the certificate. Under this regulation, the term “guaranteed governmental mortgage pool certificate” includes a certificate “backed by, or evidencing an interest in, specified mortgages or participation interests therein” if Freddie Mac guarantees the interest and principal payable on the certificate.

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

### **LEGAL INVESTMENT CONSIDERATIONS**

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

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

### **ACCOUNTING CONSIDERATIONS**

Various factors may influence the accounting treatment applicable to an investor’s acquisition and holding of mortgage-related securities. Accounting standards, and the application and interpretation of such standards, are subject to change from time to time. Before making an investment in 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 Trustee, we create and issue, under the Trust Agreement and that Pool Supplement, PCs

representing interests in those same Mortgages. Those PCs are issued in exchange 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 on page 4.

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

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

We may increase, reduce or discontinue these or other related activities at any time, which could affect the liquidity and depth of the market for PCs. We support the execution of our credit guarantee business by adjusting our guarantee fee. For example, if the price performance of, and demand for, our PCs is not comparable to mortgage-backed securities issued by the Federal National Mortgage Association (“**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.

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

## **CERTAIN RELATIONSHIPS AND TRANSACTIONS**

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

## INDEX OF TERMS

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

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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 frequently used Prefixes.

### Gold PCs

<u>Description of Mortgage</u>	<u>Prefixes</u>
30-year .....	A0-A9, C0-C8 and D0-D8
15-year .....	B0-B1, E0-E9 and J0-J9
20-year .....	C9, D9 and F8
40-year .....	K3
5-year Balloon/Reset .....	L7, L9, M0, M1 and M9
7-year Balloon/Reset .....	L8, M8, N8 and N9
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)
Newly Originated Assumable .....	T3 (30-year) and T1 (15-year)
Mini-PCs (standard mortgage types) ....	B2-B3 (30-year), F9 (20-year), B4-B5 (15-year) and L5, L6 (5-year/7-year Balloon)
Mini-PCs (various mortgage types) ....	O5, U3 (30-year), O6 and U1 (15-year)
FHA/VA .....	B6-B8 (30-year), B9 (other), F5 (20-year) and F6- F7 (15-year)
Second Mortgages .....	N0 (15-year) and N1 (30-year)
Various .....	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)
Modifiable .....	MM (30-year) and MN (15-year)
Initial Interest .....	H0 (10/20), H1 (15/15), H2 (10/10) 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)

## ARM PCs

<b>Description of Mortgage (Mortgage Coupon Periodic Adjustment Frequency/ Index/Periodic Adjustment Cap/Convertibility)</b>	<b><u>Prefixes</u></b>
<b><i>Treasury Indices</i></b>	
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/Variou s Indices/Variou s Caps .....	75*
5-year/5-year Treasury/Variou s Caps .....	76*
Annual/1-year Treasury/Hybrid ARMs/Variou s Caps .....	78* and 1L
3-year/3-year Treasury/Variou s Caps .....	86*
Annual/1-year Treasury/Initial Interest Hybrid ARMs/Variou s Caps .....	1H
Annual/1-year Treasury/10-year Initial Interest Hybrid ARMs/Variou s Caps ...	1K
<b><i>COF Indices</i></b>	
Monthly/11th District COF/Payment-capped .....	39* and 42*
Annual or Semiannual/National COF/Variou s Caps .....	74*
Annual or Semiannual/11th District COF/Variou s Caps .....	77*
Federal Cost of Funds/Payment-capped .....	5A*
<b><i>LIBOR Indices</i></b>	
Variou s/LIBOR/Variou s Caps .....	87*
Variou s/LIBOR/Payment-capped .....	96*
Semiannual/6-month LIBOR/Hybrid ARMs/Variou s Caps .....	1A
Annual/1-year LIBOR/Hybrid ARMs/Variou s 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/Variou s Caps .....	1G
Annual/1-year LIBOR/10-year Initial Interest Hybrid ARMs/Variou s Caps .....	1J
Semiannual/6-month LIBOR/Initial Interest Hybrid ARMs/Variou s Caps .....	1M
Semiannual/6-month LIBOR/10-year Initial Interest Hybrid ARMs/Variou s Caps .....	1N
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<b><i>Other Indices</i></b>	
Variou s Treasury/Payment-capped .....	94*
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Variou s Indices/Variou s 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 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 December 31, 2007,  
as supplemented or amended)



**FREDDIE MAC**

**Mortgage Participation Certificates**

**Adjustable-rate Mortgages with Interest Only Periods**

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 December 31, 2007, 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 December 31, 2007 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.

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.

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

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/pc\\_disclosure\\_calculations.html](http://www.freddiemac.com/mbs/pc_disclosure_calculations.html). 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 \_\_\_\_\_**

**PC Pool Number XXXXXX**

**DESCRIPTION OF PC POOL**

1	PC Type .....	TREASURY INITIAL INTEREST WAC ARM PC
2	PC Pool Number .....	XXXXXX
3	CUSIP Number .....	XXXXXXXXXX
4	PC Coupon† .....	5.340%
5	Original Principal Amount .....	\$8,457,268.00
6	PC Issue Date .....	01/01/2005
7	First Payment Date .....	03/15/2005
8	PC Final Payment Date .....	02/15/2035

**POOL INFORMATION**

9	Seller .....	XXXXXXXXXX
10	WAC†† .....	6.055%
11	AOLS* .....	\$176,208
12	WAOLS* .....	\$204,447
13	WALA* .....	XX
14	WAOLT* .....	XX
15	WARM* .....	359
16	WAOCS* .....	711
17	WAOLTV* .....	82
18	WAMTAM*+ .....	120
19	Legend .....	

**UNKNOWN ORIGINAL CREDIT SCORE AND ORIGINAL LTV\***

	% of UPB	# of Loans	% of Loans
20 Unknown Credit Score .....	0.00%	0	0.00%
21 Unknown LTV .....	0.00%	0	0.00%

† Updated monthly for ARM PCs only.  
 †† Updated monthly for Gold PCs only.  
 \* Updated monthly for Gold PCs and ARM PCs.  
 + Initial Interest PCs only.

**PC Pool Number XXXXXX**

**ARM SPECIFIC INFORMATION**

22	Initial Period .....	5
23	Adjustment Period .....	12
24	Index .....	1 YR WEEKLY CMT
25	Lookback Period .....	45
26	Next Adjustment Date† .....	08/01/2009
27	Weighted Average Months to Adjust (WAMTA)† .....	59.960
28	Initial Cap (Increase) .....	5.000%
29	Initial Cap (Decrease) .....	5.000%
30	Periodic Cap .....	2.000%
31	Convertible .....	N
32	PC Margin† .....	2.035%
33	Weighted Average Margin .....	2.750%
34	PC Lifetime Ceiling† .....	11.340%
35	Weighted Average Lifetime Ceiling† .....	12.055%
36	PC Lifetime Floor† .....	0.000%
37	Weighted Average Lifetime Floor† .....	1.857%
38	Prepayment Penalty Mortgages .....	N
39	Reduced Minimum Servicing .....	N

**40 INITIAL INTEREST FIRST P&I PAYMENT DATE\* (Initial Interest Mortgages Only)**

First P&I Date*	Aggregate UPB*	% of UPB*	# of Loans*	% of Loans*
12/01/2014 .....	\$1,623,747.97	19.20%	10	20.83%
01/01/2015 .....	5,470,506.43	64.68%	30	62.05%
02/01/2015 .....	1,363,013.92	16.12%	8	16.67%

First P&I Date (continued)	WAC††	Note Rate Low-High††	WARM*	Remaining Maturity Low-High*	WALA*	Loan Age Low-High*
12/01/2014 .....	6.107%	5.625 - 7.125%	358	358-358	0	0-009
01/01/2015 .....	5.991%	5.375 - 6.875%	359	359-359	0	0-005
02/01/2015 .....	6.246%	5.625 - 6.500%	360	360-360	2	0-003

**HIGH AND LOW MORTGAGE DATA†**

41-42 Remaining Maturity Low-High	43-44 Note Rate Low-High	45-46 Margin Low-High	47-48 Lifetime Ceiling Low-High	49-50 Lifetime Floor Low-High
358-360	5.375% - 7.125%	2.750% - 2.750%	11.375% - 13.125%	1.857% - 1.857%

† Updated monthly for ARM PCs only.  
 †† Updated monthly for Gold PCs only.  
 \* Updated monthly for Gold PCs and ARM PCs.

PC Pool Number XXXXXXX

ARM PC COMPONENT LEVEL DATA†

51 Component Coupon Adjustment Date	52 Component First P&I Payment Date+	53 Component UPB	54 Component Number of Loans	55 Component Coupon	56-57 Component Coupon Low-High
11/01/2009 ..	12/01/2014	\$1,623,747.97	10	5.392%	4.910% - 6.410%
12/01/2009 ..	01/01/2015	5,470,506.43	4	5.276%	4.660% - 6.160%
01/01/2010 ..	02/01/2015	1,363,013.92	2	5.531%	4.910% - 5.785%

Component Coupon Adjustment Date (continued)	Component First P&I Payment Date+ (continued)	58 Component Margin	59-60 Component Margin Low-High	61 Component Lifetime Ceiling	62-63 Component Lifetime Ceiling Low-High	64 Component Floor	65-66 Component Floor Low-High
11/01/2009	12/01/2014	2.035%	2.035% - 2.035%	11.392%	10.910% - 12.410%	1.857%	1.857% - 1.857%
12/01/2009	01/01/2015	2.035%	2.035% - 2.035%	11.276%	10.660% - 12.160%	1.857%	1.857% - 1.857%
01/01/2010	02/01/2015	2.035%	2.035% - 2.035%	11.531%	10.910% - 11.785%	1.857%	1.857% - 1.857%

QUARTILE DISTRIBUTION\*

	71 Note Rate††	72 Original Loan Size*	73 Remaining Maturity*	74 Loan Age*	75 Loan Term*	76 Original Credit Score*	77 Original LTV*
67 Quartile 1 .....	Gold PCs Only	66,000 - 42,000	148-239	0-000	234-240	645 - 679	38 - 080
68 Quartile 2 .....		142,000 - 208,000	239-240	0-000	240-240	679 - 700	80 - 080
69 Quartile 3 .....		208,000 - 268,000	240-240	0-001	240-240	700 - 746	80 - 090
70 Quartile 4 .....		268,000 - 334,000	240-240	1-009	240-240	746 - 773	90 - 095

78 LOAN PURPOSE\*

Type	% of UPB	# of Loans	% of Loans
Purchase .....	65.87%	34	70.83%
Refinance .....	34.13%	14	29.17%
Unknown .....	0.00%	0	0.00%

79 NUMBER OF UNITS\*

# of Units	% of UPB	# of Loans	% of Loans
1 .....	100.00%	48	100.00%
2-4 .....	0.00%	0	0.00%
Unknown .....	0.00%	0	0.00%

**80 OCCUPANCY TYPE\***

Type	% of UPB	# of Loans	% of Loans
Owner Occupied .....	50.97%	21	43.75%
Second Home .....	5.98%	3	6.25%
Investment Property .....	43.05%	24	50.00%
Unknown .....	0.00%	0	0.00%

† Updated monthly for ARM PCs only.  
 †† Updated monthly for Gold PCs only.  
 \* Updated monthly for Gold PCs and ARM PCs.  
 + Initial Interest PCs only.

**PC Pool Number XXXXXX**

**81 FIRST PAYMENT DISTRIBUTION\***

Not Paying % of UPB	Not Paying # of Loans	Not Paying % of Loans
0.00% .....	0	0.00%

**82 LOAN ORIGINATION DISTRIBUTION\***

Year	Aggregate UPB	% of UPB	# of Loans	% of Loans
2004 .....	\$8,457,268.32	100.00%	48	100.00%

**83 GEOGRAPHIC DISTRIBUTION\***

State	Aggregate UPB	% of UPB	# of Loans	% of Loans
California .....	\$2,916,560.00	34.49%	12	25.00%
Nevada .....	1,001,389.45	11.84%	5	10.42%
Florida .....	825,534.91	9.76%	5	10.42%
Colorado .....	650,252.00	7.69%	4	8.33%
New Jersey .....	601,150.00	7.11%	3	6.25%
Texas .....	526,162.98	6.22%	3	6.25%
Arizona .....	525,825.00	6.22%	4	8.33%
Washington .....	433,542.99	5.13%	4	8.33%
Georgia .....	301,999.99	3.57%	3	6.25%
Virginia .....	225,000.00	2.66%	1	2.08%
New York .....	150,000.00	1.77%	1	2.08%
Oregon .....	123,452.00	1.46%	1	2.08%
Ohio .....	89,300.00	1.06%	1	2.08%
Nebraska .....	87,099.00	1.03%	1	2.08%

**84 SERVICER DISTRIBUTION\***

Servicer*	% of UPB*	# of Loans*	% of Loans*
XXXXXXXXXXXXXXXXXXXX .....	100.00%	48	100.00%

  

Servicer (continued)	WAC††	Note Rate Low-High††	WALA*	Loan Age Low-High*	WARM††	Remaining Maturity Low-High††
XXXXXXXXXXXXXXXXXXXX	6.055%	5.375 - 7.125%	0	0 - 009	359	358 - 360

\* Updated monthly for Gold PCs and ARM PCs.  
 †† Updated monthly for Gold PCs only.

**PC Pool Number XXXXXX**

**85 SELLER DISTRIBUTION\***

Seller*	% of UPB*	# of Loans*	% of Loans*
XXXXXXXXXXXXXXXXXXXX .....	100.00%	48	100.00%

  

Seller (continued)	WAC††	Note Rate Low-High††	WALA*	Loan Age Low-High*	WARM*	Remaining Maturity Low-High*
XXXXXXXXXXXXXXXXXXXX	6.055%	5.375 - 7.125%	0	0 - 009	359	358 - 360

\* Updated monthly for Gold PCs and ARM PCs.  
 †† Updated monthly for Gold PCs only.

## TERMS USED IN POOL SUPPLEMENTS

This *Appendix IV* defines certain terms used in Pool Supplements. The number associated with a definition in this *Appendix IV* corresponds to the number associated with the related data field in *Appendix III*.

### Description of PC Pool

1. **PC Type:** A general description of the type of Mortgages in the PC Pool.
  2. **PC Pool Number:** A unique numeric or alphanumeric designation assigned by Freddie Mac to identify a PC. The first two or three characters of a Pool Number indicate the “**PC Prefix**.”
  3. **CUSIP Number:** A unique nine-digit alphanumeric designation assigned by the CUSIP Service Bureau to each PC. The CUSIP Number is used to identify the PC on the books and records of the Federal Reserve Banks’ book-entry system.
  4. **PC Coupon:** The per annum rate at which interest is passed through monthly to a Holder of a PC, based on a 360-day year of 12 30-day months.
  5. **Original Principal Amount:** The aggregate principal balance of the Mortgages in a PC Pool at the date of PC Pool formation.
  6. **PC Issue Date:** The first day of the month and year of issuance of the PC, which is the first day that interest accrues for the first payment to Holders of PCs.
  7. **First Payment Date:** The date on which Freddie Mac passes through the first payment of principal and/or interest to Holders of PCs.
  8. **PC Final Payment Date:** The last possible Payment Date on which Freddie Mac could pass through payments of principal and interest to Holders of PCs.
- Payment Date:** The 15th day of each month unless the 15th day is not a Business Day, in which case the next succeeding Business Day.
- UPB:** The unpaid principal balance of a Mortgage on a specified date; “aggregate UPB” refers to the aggregate unpaid principal balance of all Mortgages in a PC Pool on a specified date.

### Pool Information

9. **Seller:** Identifies the name and address of the entity that sold the Mortgages in a PC Pool to Freddie Mac. This may or may not be the originator or servicer of the Mortgages.
10. **WAC (Weighted Average Coupon):** The weighted average of the current interest rate of the Mortgages in a PC Pool.
11. **AOLS (Average Original Loan Size):** The simple average of the UPBs of the Mortgages in a PC Pool as of their origination dates. Refer to WAOLS for the weighted average.
12. **WAOLS (Weighted Average Original Loan Size):** The weighted average of the UPBs of the Mortgages in a PC Pool as of their origination dates. Refer to AOLS for the simple average.

13. **WALA (Weighted Average Loan Age):** The weighted average of the current number of months since the origination dates of the Mortgages in a PC Pool.

14. **WAOLT (Weighted Average Original Loan Term):** The weighted average of the number of scheduled monthly payments of the Mortgages in a PC Pool.

15. **WARM (Weighted Average Remaining Maturity):** For Gold PCs, the weighted average of the current number of scheduled monthly payments that, after giving effect to full and partial unscheduled principal payments, remain on the Mortgages in a PC pool. For ARM PCs, the weighted average of the current number of scheduled monthly payments, which remain on the mortgages in a PC pool. For PC pools backed by balloon/reset mortgages, the WARM reflects the **WATB (Weighted Average Term to Balloon)**, which is the weighted average remaining number of months to the balloon maturity or reset date of the mortgages.

16. **WAOCS (Weighted Average Original Credit Score):** The weighted average, as of the origination date, of the borrowers' credit scores for the Mortgages in a PC Pool. The original WAOCS consists of known credit scores as of the settlement date of the PC and the first monthly update after the settlement date may reflect additional known credit scores.

17. **WAOLTV (Weighted Average Original Loan to Value):** The weighted average of the ratios between each Mortgage's UPB as of the origination date and either (1) in the case of a purchase, the lesser of the appraised value of the mortgaged premises on the origination date or the purchase price of the mortgaged premises or (2) in the case of a refinancing or in certain other instances, the appraised value of the mortgaged premises on the origination date.

18. **WAMTAM (Weighted Average Months to Amortize):** For Initial Interest PCs only, the weighted average number of months from the first day of the current month to the First P&I Payment Date of the mortgages in the PC, adjusted by adding one month (for ARM PCs only) to reflect the timing of the corresponding PC First P&I Payment Date.

19. **Legend:** A text field used to disclose additional information about the Mortgages or the PC, including whether an Additional Supplement is available for the PC. This field will be blank if there is no applicable legend for a PC Pool.

#### **Unknown Original Credit Score and Original LTV**

20. **Unknown Credit Score:** The number of Mortgages, percentage of Mortgages and percentage of aggregate UPB of the Mortgages in a PC Pool that have credit scores that are not available.

21. **Unknown LTV:** The number of Mortgages, percentage of Mortgages, and percentage of the aggregate UPB of the Mortgages in a PC Pool that have LTV ratios that are not available.

#### **ARM Specific information (ARMs Only)**

22. **Initial Period:** For Hybrid ARMs only, the period of time between the first payment due date of the Mortgages and the first interest adjustment date. The initial period will be designated by one of the numbers below, which defines the eligible months to first interest adjustment date for the

Mortgages in an ARM PC Pool. For example, an Initial Period equal to 3 and an Adjustment Period equal to 12 denotes a 3/1 Hybrid ARM.

2 = Initial Period between 18 and 30 months

3 = Initial Period between 30 and 42 months

4 = Initial Period between 42 and 54 months

5 = Initial Period between 54 and 66 months

6 = Initial Period between 66 and 78 months

7 = Initial Period between 78 and 90 months

8 = Initial Period between 90 and 102 months

9 = Initial Period between 102 and 114 months

10 = Initial Period between 114 and 126 months

15 = Initial Period between 174 and 186 months

**23. Adjustment Period:** The frequency (in months) that the Mortgages in an ARM PC Pool will adjust. For Hybrid ARMs, the Adjustment Period is the frequency that the Mortgages in an ARM PC Pool will adjust after the first interest adjustment date.

**24. Index:** A fluctuating index specified in the Mortgage note, the value of which is used to adjust the interest rate of the Mortgages in an ARM PC Pool.

**25. Lookback Period:** For each Mortgage in an ARM PC Pool, the number of days from the publication of the Index value used to adjust the note rate to the interest adjustment date for that particular Mortgage.

**26. Next Adjustment Date:** For ARM PCs only, the next date on which the PC Coupon adjusts.

**27. Weighted Average Months to Adjust (WAMTA):** For ARM PCs only, the weighted average of the number of months from PC Pool formation to the next date on which the PC Coupon adjusts.

**28. Initial Cap (Increase):** The maximum amount that the interest rate may increase at the first interest adjustment date for the Mortgages in an ARM PC Pool. If the field is blank and the Initial Cap is not specified in the Legend field, the Initial Cap equals the Periodic Cap; a value of zero (0.000%) indicates that there is no upward adjustment permitted.

**29. Initial Cap (Decrease):** The maximum amount that the interest rate may decrease at the first interest adjustment date for the Mortgages in an ARM PC Pool. If the field is blank and the Initial Cap is not specified in the Legend field, the Initial Cap equals the Periodic Cap; a value of zero (0.000%) indicates that there is no downward adjustment permitted.

**30. Periodic Cap:** The maximum amount that the interest rate may increase or decrease at each interest adjustment date after the first interest adjustment date for the Mortgages in an ARM PC Pool. However, if an Initial Cap is not separately disclosed for an ARM PC, the Periodic Cap is the Initial Cap. A Periodic Cap of zero (0.00%) indicates that there is no Periodic Cap and Mortgages are subject to the lifetime ceiling and margin only.

31. **Convertible:** Indicates whether the Mortgages in an ARM PC Pool may convert from an adjustable interest rate to a fixed interest rate during a specified conversion window. The conversion window is either a specified period of time during which, or specific dates on which, the borrower can exercise the option to convert from an adjustable interest rate to a fixed interest rate.

32. **PC Margin:** The weighted average of the Mortgage Margins of the Mortgages in an ARM PC Pool, net of servicing, management and guarantee fees. For purposes of these definitions, “**Mortgage Margin**” 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 a Mortgage.

33. **Weighted Average Margin:** The original weighted average of the Mortgage Margins of the Mortgages in an ARM PC Pool.

34. **PC Lifetime Ceiling:** The weighted average of the lifetime ceilings of the Mortgages in an ARM PC Pool, net of servicing, management and guarantee fees. The lifetime ceiling is the maximum interest rate to which an ARM interest rate may increase over the life of the Mortgage.

35. **Weighted Average Lifetime Ceiling:** The original weighted average of the lifetime ceilings of the Mortgages in an ARM PC Pool. The lifetime ceiling is the maximum interest rate to which the Mortgage interest rate may increase over the life of the Mortgage.

36. **PC Lifetime Floor:** The weighted average of the lifetime floors of the Mortgages in an ARM PC Pool, net of servicing, management and guarantee fees. The lifetime floor is the minimum interest rate to which an ARM interest rate may decrease over the life of the Mortgage, subject to its Mortgage Margin.

37. **Weighted Average Lifetime Floor:** The original weighted average of the lifetime floors of the Mortgages in an ARM PC pool. The lifetime floor is the minimum interest rate to which the Mortgage interest rate may decrease over the life of the Mortgage, subject to its Mortgage Margin.

38. **Prepayment Penalty Mortgages:** Indicates whether the Mortgages in an ARM PC pool are Prepayment Penalty Mortgages (PPMs). PC Pools containing fixed-rate PPMs will be identified by a unique PC prefix.

39. **Reduced Minimum Servicing:** The minimum spread is the least amount of interest income, as established by Freddie Mac, that must be retained by the servicer as compensation for servicing Mortgages. “Y” in this field indicates that the minimum servicing spread is less than 25 basis points. “N” in this field indicates that the minimum servicing spread is 25 basis points.

**40. First Amortization Payment Date (Applicable for Initial Interest Mortgages Only)**

For Initial Interest PCs only, the first fully amortizing principal and interest payment date of the mortgages in a pool, adjusted by adding one month (for ARM PCs only) to reflect the timing of the corresponding PC First P&I Payment Date.

For PC Pools backed by Initial Interest fixed-rate Mortgages only, the UPB, percentage of the aggregate UPB, number of mortgages, percentage of the aggregate number of mortgages, WAC, highest and lowest note rates, WARM, highest and lowest remaining maturity, WALA, and highest and lowest loan age of the mortgages in a PC pool having the same first date on which principal as well as interest will be due.

For PC Pools backed by Initial Interest ARMs only, the UPB, percentage of the aggregate UPB, number of mortgages, percentage of the aggregate number of mortgages, WAC, highest and lowest note rates, WARM, highest and lowest remaining maturity, WALA, and highest and lowest loan age of the mortgages in a PC pool having the same first date on which principal as well as interest will be due.

#### **High and Low Mortgage Data (ARMs Only)**

41. **Remaining Maturity Low:** The shortest remaining term to maturity, as of PC Pool formation, of the Mortgages in an ARM PC Pool, expressed in months.

42. **Remaining Maturity High:** The longest remaining term to maturity, as of PC Pool formation, of the Mortgages in an ARM PC Pool, expressed in months.

43. **Note Rate Low:** The lowest note rate, as of PC Pool formation, of the Mortgages in an ARM PC Pool.

44. **Note Rate High:** The highest note rate, as of PC Pool formation, of the Mortgages in an ARM PC Pool.

45. **Margin Low:** The lowest Mortgage Margin, as of PC Pool formation, of the Mortgages in an ARM PC Pool.

46. **Margin High:** The highest Mortgage Margin, as of PC Pool formation, of the Mortgages in an ARM PC Pool.

47. **Lifetime Ceiling Low:** The lowest lifetime ceiling, as of PC Pool formation, of the Mortgages in an ARM PC Pool. The lifetime ceiling is the maximum interest rate to which an ARM interest rate may increase.

48. **Lifetime Ceiling High:** The highest lifetime ceiling, as of PC Pool formation, of the Mortgages in an ARM PC Pool. The lifetime ceiling is the maximum interest rate to which an ARM interest rate may increase.

49. **Lifetime Floor Low:** The lowest lifetime floor, as of PC Pool formation, of the Mortgages in an ARM PC Pool. For an ARM, the lifetime floor is the minimum interest rate to which an ARM interest rate may decrease, subject to its Mortgage Margin.

50. **Lifetime Floor High:** The highest lifetime floor, as of PC Pool formation, of the Mortgages in an ARM PC Pool. For an ARM, the lifetime floor is the minimum interest rate to which an ARM interest rate may decrease, subject to its Mortgage Margin.

#### **ARM PC Component Level Data**

51. **Component Coupon Adjustment Date:** The next scheduled interest adjustment date of the Mortgages in an ARM PC pool having the same interest adjustment date, adjusted by adding one month to reflect the timing of the corresponding PC coupon adjustment date.

52. **Component First P&I Payment Date (Initial Interest ARM PCs Only):** The first fully amortizing principal and interest payment date of a group of Mortgages in an Initial Interest ARM PC Pool having the same Component Coupon Adjustment Date, adjusted by adding one month to reflect the timing of the corresponding PC First P&I Payment Date.

53. **Component UPB:** The aggregate UPB of the Mortgages in an ARM PC pool having the same Component Coupon Adjustment Date. For Initial Interest ARM PCs, the aggregate UPB of

the mortgages in an ARM PC pool having the same Component Coupon Adjustment Date and Component First P&I Payment Date.

**54. Component Number of Loans:** The number of loans in an ARM PC pool having the same Component Coupon Adjustment Date. For Initial Interest ARM PCs, the number of loans in an ARM PC pool having the same Component Coupon Adjustment Date and the same Component First P&I Payment Date.

**55. Component Coupon:** The weighted average of the interest rates of the Mortgages in an ARM PC pool having the same Component Coupon Adjustment Date, net of servicing, management and guarantee fees. For Initial Interest ARM PCs, the weighted average of the interest rates of the Mortgages in an ARM PC pool having the same Component Coupon Adjustment Date and Component First P&I Payment Date, net of servicing, management and guarantee fees.

**56. Component Coupon Low:** The lowest interest rate of the Mortgages in an ARM PC pool having the same Component Coupon Adjustment Date, net of servicing, management and guarantee fees. For Initial Interest ARM PCs, the lowest interest rate of the Mortgages in an ARM PC pool having the same Component Coupon Adjustment Date and Component First P&I Payment Date, net of servicing, management and guarantee fees.

**57. Component Coupon High:** The highest interest rate of the Mortgages in an ARM PC pool having the same Component Coupon Adjustment Date, net of servicing, management and guarantee fees. For Initial Interest ARM PCs, the highest interest rate of the Mortgages in an ARM PC pool having the same Component Coupon Adjustment Date and Component First P&I Payment Date, net of servicing, management and guarantee fees.

**58. Component Margin:** The weighted average of the Mortgage Margins in an ARM PC pool having the same Component Coupon Adjustment Date, net of servicing, management and guarantee fees. For Initial Interest ARM PCs, the weighted average of the Mortgage Margins in an ARM PC pool having the same Component Coupon Adjustment Date and Component First P&I Payment Date, net of servicing, management and guarantee fees.

**59. Component Margin Low:** The lowest Mortgage Margin in an ARM PC pool having the same Component Coupon Adjustment Date, net of servicing, management and guarantee fees. For Initial Interest ARM PCs, the lowest Mortgage Margin in an ARM PC pool having the same Component Coupon Adjustment Date and Component First P&I Payment Date, net of servicing, management and guarantee fees.

**60. Component Margin High:** The highest Mortgage Margin in an ARM PC pool having the same Component Coupon Adjustment Date, net of servicing, management and guarantee fees. For Initial Interest ARM PCs, the highest Mortgage Margin in an ARM PC pool having the same Component Coupon Adjustment Date and Component First P&I Payment Date, net of servicing, management and guarantee fees.

**61. Component Lifetime Ceiling:** The weighted average of the lifetime ceilings of the Mortgages in an ARM PC pool having the same Component Coupon Adjustment Date, net of servicing, management and guarantee fees. For Initial Interest ARM PCs, the weighted average of the lifetime ceilings of the Mortgages in an ARM PC pool having the same Component Coupon Adjustment Date and Component First P&I Payment Date, net of servicing, management and guarantee fees.

**62. Component Lifetime Ceiling Low:** The lowest lifetime ceiling of the Mortgages in an ARM PC pool having the same Component Coupon Adjustment Date, net of servicing, management and guarantee fees. For Initial Interest ARM PCs, the lowest lifetime ceiling of the Mortgages in an ARM PC pool having the same Component Coupon Adjustment Date and Component First P&I Payment Date, net of servicing, management and guarantee fees.

**63. Component Lifetime Ceiling High:** The highest lifetime ceiling of the Mortgages in an ARM PC pool having the same Component Coupon Adjustment Date, net of servicing, management and guarantee fees. For Initial Interest ARM PCs, the highest lifetime ceiling of the Mortgages in an ARM PC pool having the same Component Coupon Adjustment Date and Component First P&I Payment Date, net of servicing, management and guarantee fees.

**64. Component Lifetime Floor:** The weighted average of the lifetime floors of the Mortgages in an ARM PC pool having the same Component Coupon Adjustment Date, net of servicing, management and guarantee fees. For Initial Interest ARM PCs, the weighted average of the lifetime floors of the Mortgages in an ARM PC pool having the same Component Coupon Adjustment Date and Component First P&I Payment Date, net of servicing, management and guarantee fees.

**65. Component Lifetime Floor Low:** The lowest lifetime floor of the Mortgages in an ARM PC pool having the same Component Coupon Adjustment Date, net of servicing, management and guarantee fees. For Initial Interest ARM PCs, the lowest lifetime floor of the Mortgages in an ARM PC pool having the same Component Coupon Adjustment Date and Component First P&I Payment Date, net of servicing, management and guarantee fees.

**66. Component Lifetime Floor High:** The highest lifetime floor of the Mortgages in an ARM PC pool having the same Component Coupon Adjustment Date, net of servicing, management and guarantee fees. For Initial Interest ARM PCs, the highest lifetime floor of the Mortgages in an ARM PC pool having the same Component Coupon Adjustment Date and Component First P&I Payment Date, net of servicing, management and guarantee fees.

#### **Quartile Distribution**

Quartiles are based on each 25th percentile of each PC's Original Principal Amount.

**67. Quartile 1** represents the range from the lowest value of the data to the data corresponding to the 25th percentile of the PC's Original Principal Amount.

**68. Quartile 2** represents the range from the data corresponding to the 25th percentile of the PC's current principal balance to the data corresponding to the 50th percentile of the PC's Original Principal Amount.

**69. Quartile 3** represents the range from the data corresponding to the 50th percentile of the PC's current principal balance to the data corresponding to the 75th percentile of the PC Original Principal Amount.

**70. Quartile 4** represents the range from the data corresponding to the 75th percentile of the PC's Original Principal Amount to the highest data.

Quartiles represent the distribution of the following attributes for all Mortgages in a PC Pool:

**71. Note Rate (Gold PCs Only):** The interest rate on a Mortgage note.

**72. Original Loan Size:** Loan amount as of the note date of the Mortgage.

73. **Remaining Maturity:** Remaining term to Maturity Date, or term to balloon maturity or reset date for Balloon/Reset Mortgages.

74. **Loan Age:** Number of months from the note date.

75. **Loan Term:** Number of scheduled monthly payments that are due over the life of the Mortgage.

76. **Original Credit Score:** A number summarizing an individual's credit profile that indicates the likelihood that the individual will repay future obligations.

77. **Original LTV:** Original loan-to-value ratio.

78. **Loan Purpose:** The number of Mortgages, percentage of Mortgages and percentage of the aggregate UPB of the Mortgages in a PC Pool that are either refinance Mortgages or purchase Mortgages. If the loan purpose is not available, the Loan Purpose will be "Unknown."

79. **Number of Units:** The number of Mortgages, percentage of Mortgages and percentage of the aggregate UPB of the Mortgages in a PC Pool that are secured by one-unit properties and by two-to-four-unit properties. If the property type is not available, the Property Type will be "Unknown."

80. **Occupancy Type:** The number of Mortgages, percentage of Mortgages and percentage of the aggregate UPB of the Mortgages in a PC Pool that are secured by primary residences, second homes, and investment properties. If the occupancy type is not available, Occupancy Type will be "Unknown."

81. **First Payment Distribution:** The number of Mortgages, percentage of Mortgages and percentage of the aggregate UPB of the Mortgages in a PC Pool that have not yet reached their first Payment Date.

82. **Loan Origination Distribution:** The number of Mortgages, percentage of Mortgages and percentage of the aggregate UPB of the Mortgages in a PC Pool that were originated in a given year.

For seller-owned modified Mortgages, modified Mortgages, converted Mortgages and construction-to-permanent Mortgages, the modification/converted date replaces the origination date.

83. **Geographic Distribution:** The number of Mortgages, percentage of Mortgages and percentage of the aggregate UPB of the Mortgages in a PC Pool that are secured by properties in a given state.

84. **Servicer Distribution:** The WAC, highest and lowest note rates, WALA, highest and lowest age, WARM, highest and lowest remaining maturity, number of Mortgages, percentage of Mortgages, and percentage of the aggregate UPB of the Mortgages in each entity that services at least 1% of the Mortgages in a PC pool (updated to reflect transfer of servicing). Entities servicing less than 1% of the Mortgages in a PC pool are reflected under the heading "Servicers<1%".

85. **Seller Distribution:** The WAC, highest and lowest note rates, WALA, highest and lowest loan age, WARM, highest and lowest remaining maturity, number of Mortgages, percentage of Mortgages, and percentage of the aggregate UPB of the Mortgages for each entity that sold to Freddie Mac at least 1% of the Mortgages in a PC pool. Entities that sold to Freddie Mac less than 1% of the Mortgages in a PC pool are reflected under the heading "Sellers<1%".

