

## EUROPEAN RISK RETENTION LETTER OF

**Federal Home Loan Mortgage Corporation  
8200 Jones Branch Drive  
McLean, Virginia 22102**

May 21, 2018

U.S. Bank National Association  
One Federal Street, 3<sup>rd</sup> Floor  
Boston, Massachusetts 02110  
Attention: Global Structured Finance /STACR<sup>®</sup> 2018-HRP1

**Re: Freddie Mac Structured Agency Credit Risk (STACR<sup>®</sup>) 2018-HRP1 Notes**

This **“European Risk Retention Letter”** is being delivered by Freddie Mac, as sponsor (the **“Sponsor”**) to the addressee hereto in connection with the issuance by the STACR Trust 2018-HRP1, a Delaware statutory trust (the **“Issuer”**) of the Freddie Mac Structured Agency Credit Risk (STACR<sup>®</sup>) 2018-HRP1 Notes (collectively, the **“Notes”**) pursuant to that certain Indenture of even date herewith (the **“Indenture”**) between the Issuer and U.S. Bank National Association, as Indenture Trustee, Custodian and Exchange Administrator.

### **1 DEFINITIONS**

All capitalized terms used but not defined herein shall have the meanings given to such terms in the Indenture. The following capitalized terms shall have the following meanings:

**“Applicable Investor”** means each Holder of a beneficial interest in any Note that is (i) an EEA credit institution or investment firm or a consolidated affiliate thereof, (ii) an EEA insurer or reinsurer, (iii) an EEA undertaking for collective investment in transferable securities (UCITS) (iv) an alternative investment fund to which EU Directive 2011/61/EU applies or (v) an IORP.

**“EEA”** means the European Economic Area.

### **2 REPRESENTATIONS**

The Issuer represents and warrants to the addressee hereof:

- (a) the Sponsor confirms it is a corporate instrumentality of the United States created pursuant to an Act of Congress on July 24, 1970 (Title III of the Emergency Home Finance Act of 1970, as amended, 12 U.S.C. §§1451-1459, hereinafter referred to as the **“Freddie Mac Act”**), has full power and authority to own its assets and the securities proposed to be owned by it including the Retained Interest and to transact the business in which it is presently engaged;
- (b) the Sponsor has full power and authority to execute and deliver this European Risk Retention Letter and perform all of its obligations required hereunder and

has taken all necessary action to authorize this European Risk Retention Letter on the terms and conditions hereof and the execution, delivery and performance of this European Risk Retention Letter and the performance of all obligations imposed upon it hereunder. No consent of any other person and no licence, permit, approval or authorization of, exemption by, notice or report to, or registration, filing or declaration with, any governmental authority, other than those that have been or shall be obtained in connection with this European Risk Retention Letter, is required by the Sponsor in connection with this European Risk Retention Letter or the execution, delivery, performance, validity or enforceability of this European Risk Retention Letter or the obligations imposed upon it hereunder; and

- (c) this European Risk Retention Letter constitutes the legally valid and binding obligations of the Sponsor enforceable against it in accordance with its terms, subject, as to enforcement, to (i) the effect of bankruptcy, examination, insolvency or similar laws affecting generally the enforcement of creditors' rights, as such laws would apply in the event of any bankruptcy, examination, receivership, insolvency or similar event applicable to the Issuer and (ii) general equitable principles (whether enforceability of such principles is considered in a proceeding at law or in equity).

### 3 COVENANTS

The Sponsor hereby agrees, and irrevocably and unconditionally undertakes to the Indenture Trustee, for the benefit of each Applicable Investor, that, in connection with Article 405(1) of EU Regulation 575/2013, technical standards in relation thereto adopted by the European Commission and guidelines and other materials published by the European Banking Authority in relation thereto (collectively, “**Article 405(1)**”), on an ongoing basis, so long as any Notes remain outstanding:

- (a) it will, as originator (as such term is defined for the purposes of Article 405(1)), retain a material net economic interest (the “**Retained Interest**”) in the transaction constituted by the issuance of the Notes (the “**Transaction**”) of not less than 5% in the form specified in paragraph (a) of Article 405(1) (i.e., retention of not less than 5% of the nominal value of each of the tranches sold or transferred to the investor) by:
  - (i) retaining the credit risk on the Class M-1H Reference Tranche, the Class M-2AH Reference Tranche, the Class M-2BH Reference Tranche, the Class B-1H Reference Tranche and the Class B-2H Reference Tranche, in each case, in an amount such that it will be not less than 5% of the credit risk on the Class M-1H Reference Tranche, the Class M-2A and Class M-2AH Reference Tranches (in the aggregate), the Class M-2B and Class M-2BH Reference Tranches (in the aggregate), the Class B-1 and Class B-1H Reference Tranches (in the aggregate) and the Class B-2 and Class B-2H Reference Tranches (in the aggregate), respectively, and
  - (ii) retaining the credit risk on not less than 5% of the Class A-H Reference Tranche and, in the case of any tranching of the Class A-H Reference

Tranche, on not less than 5% of each tranche into which the Class A-H Reference Tranche is tranced;

- (b) neither it nor its affiliates will sell, hedge or otherwise mitigate its credit risk under or associated with the Retained Interest or the Reference Obligations, except to the extent permitted in accordance with Article 405(1);
- (c) it will take such further action, provide such information and enter into such other agreements as may reasonably be required to satisfy Article 405(1) as of the Closing Date and, solely as regards to the provision of information in its possession or that of its affiliates and to the extent the same is not subject to a duty of confidentiality, any time prior to maturity of the Notes;
- (d) it will confirm its continued compliance with the undertakings set forth in paragraphs (a) and (b) above:
  - (i) on a monthly basis to the Indenture Trustee in writing for reporting to Holders of the Notes;
  - (ii) where the performance of the Notes or the risk characteristics of the Transaction or of the Reference Obligations materially change; or
  - (iii) following a breach of the obligations included in the Indenture; and
- (e) it will promptly notify the Indenture Trustee in writing if for any reason:
  - (i) it ceases to hold the Retained Interest in accordance with paragraph (a) above, or
  - (ii) it or any of its affiliates fails to comply with the covenants set out in paragraphs (b) and (c) above in any way.

## **4 MISCELLANEOUS**

### **4.1 Governing Law**

This European Risk Retention Letter shall be construed in accordance with and governed by the laws of the United States. Insofar as there may be no applicable precedent, and insofar as to do so would not frustrate the purposes of the Freddie Mac Act or any provision of this European Risk Retention Letter or the transactions governed thereby, the laws of the State of New York shall be deemed reflective of the laws of the United States.

### **4.2 Jurisdiction**

The Issuer irrevocably submits to the non-exclusive jurisdiction of the United States federal court located in the Borough of Manhattan in the City of New York in any action or proceeding arising out of or relating to this European Risk Retention Letter, and hereby irrevocably agrees that all claims in respect of such action or proceeding may be heard and determined in such federal court.

### 4.3 Notices

Any notice or demand to be given, made or served for any purposes under this European Risk Retention Letter shall be given, made or served by sending the same by pre-paid post (first class if inland, first class airmail if overseas), facsimile transmission or e-mail or by delivering it by hand as follows:

To the Sponsor:

Federal Home Loan Mortgage Corporation  
1551 Park Run Drive  
McLean, VA 22102  
Attention: Kevin Palmer, V.P.—Strategic Credit Costing & Structuring  
Telephone: 571-382-4313  
E-mail: kevin\_palmer@freddiemac.com

with copies to:

Federal Home Loan Mortgage Corporation  
8200 Jones Branch Drive  
McLean, Virginia 22102  
Attention: Vice President & Deputy General Counsel—Mortgage Securities

Very truly yours,

**FEDERAL HOME LOAN MORTGAGE  
CORPORATION**