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SUBJECT TO COMPLETION, DATED MAY 14, 2018

PRIVATE PLACEMENT MEMORANDUM

STRICTLY CONFIDENTIAL



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**\$880,000,000**

**Freddie Mac**

**STRUCTURED AGENCY CREDIT RISK (STACR®) 2018-HRP1 NOTES,  
STACR Trust 2018-HRP1**

Offered Notes: The Classes of Original Notes and Classes of MAC Notes shown below and on Table 1.  
Trust and Issuer: STACR Trust 2018-HRP1  
Sponsor: Freddie Mac  
Indenture Trustee: U.S. Bank National Association  
Owner Trustee: Wilmington Trust, National Association  
Closing Date: May 21, 2018

Note Classes	Original Class Principal Balance	Class Coupon	CUSIP Number	Scheduled Maturity Date	Expected Ratings (Fitch/Morningstar) <sup>(1)</sup>	Price to Public	Initial Purchaser Discounts <sup>(2)</sup>	Proceeds to Issuer
Class M-2 <sup>(3)(4)</sup>	\$362,000,000	(5)	3137G0VC0	May 2043	BB–sf/BBB–	100%	0.50%	100%
Class B-1	259,000,000	(5)	3137G0VA4	May 2043	NR/NR	100%	0.50%	100%
Class B-2	259,000,000	(5)	3137G0VB2	May 2043	NR/NR	100%	0.50%	100%

(1) See “Ratings” herein.

(2) See “Placement” herein.

(3) MAC Class.

(4) The Class M-2A and Class M-2B Notes may be exchanged for the Class M-2 Notes, and vice versa, pursuant to Combination 1 described in Table 2. On the Closing Date, the Class M-2A and Class M-2B Notes will be deemed to have been exchanged in whole or in part, as applicable, for the Class M-2 Notes.

(5) See “Summary — Interest” herein.

No person has been authorized to give any information or to make any representations other than those contained in this Memorandum, and, if given or made, such information or representations must not be relied upon. The delivery of this Memorandum at any time does not imply that the information herein is correct as of any time subsequent to its date.

The Notes are only being offered to, and may only be held by, qualified institutional buyers as defined in Rule 144A under the Securities Act.

The Notes are expected to be made eligible for trading in book-entry form through the Same-Day Funds Settlement System of DTC, which may include delivery through Clearstream and Euroclear, against payment therefor in immediately available funds.

**THE NOTES DO NOT REPRESENT INTERESTS IN OR OBLIGATIONS OF FREDDIE MAC, THE INDENTURE TRUSTEE, THE OWNER TRUSTEE, THE INITIAL PURCHASERS OR ANY OF THEIR RESPECTIVE AFFILIATES. THE NOTES ARE NOT INSURED OR GUARANTEED BY FREDDIE MAC, THE UNITED STATES GOVERNMENT OR ANY GOVERNMENTAL AGENCY OR INSTRUMENTALITY.**

Transfer of the Notes will be subject to certain restrictions as described herein.

The Structured Agency Credit Risk (STACR) 2018-HRP1 Notes, including the Original Notes and the MAC Notes, are complex financial instruments and may not be suitable investments for you. You should consider carefully the risk factors described beginning on page 14 of this Memorandum and on page 197 of Freddie Mac’s Annual Report on Form 10-K for the year ended December 31, 2017. You should not purchase Notes unless you understand and are able to bear these and any other applicable risks. You should purchase Notes only if you understand the information contained in this Memorandum and the documents incorporated by reference in this Memorandum.

The Glossary of Significant Terms beginning on page 150 of this Memorandum sets forth definitions of certain defined terms appearing in this Memorandum.

**BofA Merrill Lynch**

Co-Lead Manager and Joint Bookrunner

**Barclays**

Co-Lead Manager and Joint Bookrunner

**BNP PARIBAS**

Co-Manager

**Citigroup**

Co-Manager

**J.P. Morgan**

Co-Manager

**Morgan Stanley**

Co-Manager

**The Williams Capital Group, L.P.**

Selling Group Member

The date of this Private Placement Memorandum is May [ ], 2018.

## TABLE OF CONTENTS

	<b>Page</b>
TABLE 1 — STRUCTURED AGENCY CREDIT RISK (STACR®) . . . . .	x
TABLE 2 — AVAILABLE MODIFICATIONS AND COMBINATIONS . . . . .	xi
Exchange Procedures . . . . .	xi
Notice . . . . .	xi
Exchange Fee . . . . .	xi
Payment Date . . . . .	xii
WE ARE IN CONSERVATORSHIP; POTENTIAL RECEIVERSHIP . . . . .	xiv
IMPORTANT NOTICE REGARDING THE NOTES . . . . .	xv
IMPORTANT NOTICE ABOUT INFORMATION PRESENTED IN THIS MEMORANDUM . . . . .	xvi
EU RISK RETENTION . . . . .	xvi
NOTICE TO EUROPEAN ECONOMIC AREA INVESTORS . . . . .	xvii
NOTICE TO UNITED KINGDOM INVESTORS . . . . .	xvii
FORWARD-LOOKING STATEMENTS . . . . .	xix
FREDDIE MAC . . . . .	xix
General . . . . .	xix
Conservatorship and Related Matters . . . . .	xix
Purchase Agreement, Warrant and Senior Preferred Stock . . . . .	xx
ADDITIONAL INFORMATION . . . . .	xxii
TRANSACTION DIAGRAM . . . . .	1
Hypothetical Structure and Calculations with Respect to the Reference Tranches . . . . .	2
SUMMARY . . . . .	4
RISK FACTORS . . . . .	14
General . . . . .	14
Risks Associated with the Credit Protection Agreement . . . . .	15
Credit of Freddie Mac . . . . .	15
Risks Associated with an Early Termination of the Credit Protection Agreement . . . . .	15
Risks Relating to the Notes Being Linked to the Reference Pool . . . . .	16
The Notes Bear the Risk of Credit Events and Modification Events on the Reference Pool . . . . .	16
Holders of Notes Have No Rights or Remedies With Respect to the Reference Obligations . . . . .	17
Delay in Liquidation; Liquidation Proceeds May Be Less Than Mortgage Balance . . . . .	17
The Timing of Credit Events and Modification Events (and the Severity of Losses Realized with Respect Thereto) May Adversely Affect Returns on the Notes; a Seller/Servicer Effecting a Repurchase of Reference Obligations on a Timely Basis May Adversely Affect Returns on Notes . . . . .	17
The Issuer Relies on us for Credit Premium Payments, Credit Protection Reimbursement Payments and Reimbursement of Expenses . . . . .	18
Our Limited Review of a Sample of a Small Percentage of the Reference Obligations May Not Reveal All Aspects Which Could Lead to Increases in the Principal Loss Amounts and Modification Loss Amounts Allocated to the Notes . . . . .	19
Our Limited Review of a Sample of a Small Percentage of the Reference Obligations Covers Only Some of the Defects Which Could Lead to Credit Events or Modification Events and Would Not Detect All Potentially Relevant Defects . . . . .	20
Our Quality Control and Quality Assurance Processes Are Not Designed to Protect Noteholders . . . . .	20
Our Review of Reference Obligations That Become Credit Event Reference Obligations May Not Result in Reversed Credit Event Reference Obligations . . . . .	20
Limited Scope and Size of the Third-Party Diligence Provider’s Review of the Reference Obligations May Not Reveal Aspects of the Reference Obligations Which Could Lead to Credit Events or Modification Events . . . . .	21
Underwriting Standards Used by Many of Our Sellers May be Less Stringent than Required by Our Guide . . . . .	22

	<u>Page</u>
A Recurrence of Turbulence in the Residential Mortgage Market and/or Financial Markets and/or Lack of Liquidity for Mortgage-Related Securities May Adversely Affect the Performance and Market Value of the Notes . . . . .	23
Appraisals or Other Property Valuations May Not Accurately Reflect the Value or Condition of the Mortgaged Property; Loan-to-Value Ratios May Be Calculated Based on Appraised Value, Which May Not Be an Accurate Reflection of Current Market Value . . . . .	25
Estimated Loan-to-Value Ratios May Not Reflect the Actual Value of the Mortgaged Properties . . . . .	25
Credit Scores May Not Accurately Predict the Likelihood of Default . . . . .	26
Residential Real Estate Values May Fluctuate and Adversely Affect the Notes . . . . .	26
Reduced Lending Capacities and/or Increases in Mortgage Interest Rates May Hinder Refinancing and Increase Risk of Credit Events and Modification Events on the Reference Obligations . . . . .	26
The Rate and Timing of Principal Payment Collections on the Reference Obligations Will Affect the Yield on the Notes . . . . .	27
We Do Not Re-Underwrite the Mortgage Loans We Acquire, Which May Adversely Affect the Performance of the Reference Obligations . . . . .	29
Mortgage Loans Originated under our Relief Refinance Program Have Limited Underwriting . . . . .	29
The Performance of the Reference Obligations Could be Dependent on the Servicers . . . . .	30
Servicers May Not Follow the Requirements of Our Guide or TOBs, and Servicing Standards May Change Periodically . . . . .	30
Statutory and Judicial Limitations on Foreclosure Procedures May Delay Recovery in Respect of the Mortgaged Properties and, in Some Instances, Limit the Amount That May Be Recovered by the Servicers, Resulting in Losses on the Reference Obligations That Might Be Allocated to the Notes . . . . .	30
Stricter Enforcement of Foreclosure Rules and Documentation Requirements May Cause Delays and Increase the Risk of Loss . . . . .	31
Insurance Related to the Mortgaged Properties May Not Be Sufficient to Compensate for Losses . . . . .	31
Mortgage Loans Without Mortgage Insurance Policies Will Not Have the Benefit of Any Mortgage Insurance Credit Amounts to Cover Losses . . . . .	32
Servicing Transfers May Result in Decreased or Delayed Collections and Credit Events . . . . .	32
Each Servicer's Discretion Over the Servicing of the Related Reference Obligations May Adversely Affect the Amount and Timing of Funds Available to Make Payments on the Notes . . . . .	32
The Performance of Sellers and Servicers May Adversely Affect the Performance of the Reference Obligations . . . . .	33
Classification of Underwriting Defects and Servicing Defects are Dependent in Part on Cooperation by the Sellers and Servicers . . . . .	33
Solicitation May Result in Erosion in the Overall Credit Quality of the Reference Pool . . . . .	34
Mortgagors May Have, or May in the Future Incur, Additional Indebtedness Secured by Mortgaged Properties Securing the Reference Obligations . . . . .	34
Geographic Concentration May Increase Risk of Credit Events Due to Adverse Economic Conditions or Natural Disasters . . . . .	34
The Rate of Credit Events and Modification Events on Mortgage Loans That Are Secured by Second Homes or Investment Properties May be Higher than on Other Mortgage Loans . . . . .	35
Mortgage Loans with High Loan-to-Value Ratios Leave the Related Mortgagors with Little or No Equity in the Related Mortgaged Properties, Which May Result in Credit Events on the Reference Obligations . . . . .	35
Mortgage Loans Made to Certain Mortgagors May Present a Greater Risk . . . . .	36
Mortgage Loans Secured by Manufactured Homes May Present a Greater Risk . . . . .	36
Impact of Potential Military Action and Terrorist Attacks . . . . .	36
Mortgage Loan Historical Information is Not Indicative of Future Performance of the Reference Pool . . . . .	36

	<u>Page</u>
Governance and Regulation	37
New Laws and Regulations May Adversely Affect Our Business Activities and the Reference Pool	37
Governmental Actions May Affect Servicing of Mortgage Loans and May Limit the Servicer's Ability to Foreclose	37
Legislative or Regulatory Actions Could Adversely Affect Our Business Activities and the Reference Pool	38
Violations of Various Federal, State and Local Laws May Result in Losses on the Reference Obligations	41
Special Assessments, Energy Efficiency and Homeowner Association Liens May Take Priority Over the Mortgage Lien	41
Risks Relating to Freddie Mac	42
FHFA Could Terminate the Conservatorship by Placing Us into Receivership, Which Could Adversely Affect Our Performance Under the Credit Protection Agreement	42
A Receiver May Transfer or Sell Our Assets and Liabilities	42
We are Dependent Upon the Support of Treasury	42
Our Changes in Business Practices May Negatively Affect the Noteholders	42
Risks Related to Eligible Investments	43
Noteholders Are Exposed to the Value of the Underlying Assets of the Relevant Eligible Investments	43
Certain Types of Eligible Investments May Suspend or Delay Redemptions	43
Redeeming Units of an Eligible Investment During an Unfavorable Market Environment May Affect the Net Asset Value of Such Eligible Investment	43
Failure of Eligible Investments to Satisfy the Relevant Criteria May Not Result in Their Replacement	43
Unfavorable Market Conditions May Cause Changes in an Investment's Yield	44
The Net Yield of a Fund May Become Negative for Other Reasons	44
The Investment Manager May Be Unable to Liquidate Investments in a Timely Manner	44
Ineligible Investments	44
Investment Factors and Risks Related to the Notes	44
The Notes May Not Be Repaid in Full	44
Limited Source of Payments — No Recourse to Reference Obligations	45
Subordination of the Notes	45
Credit Support Available to Corresponding Classes of Reference Tranches Pursuant to Hypothetical Structure Is Limited and May Not Be Sufficient to Prevent Loss on Your Notes	45
Subordination of Corresponding Classes of Reference Tranches Increases Risk of Loss on the Notes	45
Significant Write-downs of the Notes That Are Subsequently Subject to Write-ups Will Result in Lost Accrued Interest	46
LIBOR Levels Could Reduce the Yield on the Notes	47
Uncertainty Relating to the Determination of LIBOR and the Potential Phasing Out of LIBOR after 2021 May Adversely Affect the Value of the Notes	47
The Use of an Alternative Method or Index in Place of LIBOR for Determining Monthly Interest Rates May Adversely Affect the Value of Certain Notes	47
Changes in the Market Value of the Notes May Not Be Reflective of the Performance or Anticipated Performance of the Reference Obligations	48
There May be Limited Liquidity of the Notes, Which May Limit Your Ability to Sell the Notes	48
Legal and Regulatory Provisions Affecting Investors Could Adversely Affect the Liquidity of the Notes, Which May Limit Investors' Ability to Sell the Notes	48
Risk Associated With the Investment Company Act	49
Risk Associated With the Commodity Exchange Act	49

	<u>Page</u>
Risk Associated With Compliance with the No-Action Letter . . . . .	50
The Transfer Restrictions on the Notes May Limit Investors' Ability to Sell the Notes . . . . .	51
The Notes May be Redeemed Before the Scheduled Maturity Date . . . . .	51
Exchanges of Notes May Result in Investors Holding Lower Rated Notes . . . . .	51
A Reduction, Withdrawal or Qualification of the Ratings on the Rated Notes, or the Issuance of an Unsolicited Rating on the Rated Notes, May Adversely Affect the Market Value of Those Notes and/or Limit an Investor's Ability to Resell Those Notes . . . . .	51
The Ratings on the Rated Notes May Not Reflect All Risks . . . . .	52
The Class B Notes Will Not Be Rated by the Rating Agencies on the Closing Date . . . . .	52
The Ratings of the Interest Only MAC Notes do not address the Timing or Magnitude of Reductions of the Notional Principal Amount . . . . .	52
The Ability to Exchange the Exchangeable Notes and MAC Notes May Be Limited . . . . .	53
Investors Have No Direct Right to Enforce Remedies . . . . .	53
Legality of Investment . . . . .	53
Rights of Note Owners May Be Limited by Book-Entry System . . . . .	54
Tax Characterization of the Notes . . . . .	54
Changes to the U.S. Federal Income Tax Laws Could Have an Adverse Impact on the Notes . . . . .	55
ERISA Considerations . . . . .	55
Downgrade of Long-term Ratings of Eurozone Nations, Russia and the United States May Adversely Affect the Market Value of the Notes . . . . .	55
The Interests of the Transaction Parties and Others May Conflict With and be Adverse to the Interests of the Noteholders . . . . .	55
The Relationships Among Freddie Mac, Sellers, Servicers, Mortgage Insurers, the Indenture Trustee, the Owner Trustee, the Investment Manager, the Custodian and Initial Purchasers are Multifaceted and Complex. . . . .	55
Our Actions with Respect to REO Dispositions, Note Sales, Third-Party Sales, Short Sales and Disposition Timelines May Increase the Risk of Loss on the Notes . . . . .	56
Our Interests May Not be Aligned With the Interests of the Noteholders . . . . .	56
Potential Conflicts of Interest of the Initial Purchasers and their Affiliates . . . . .	57
Potential Conflicts of Interest of the Indenture Trustee, Custodian and the Exchange Administrator . . . . .	58
Potential Conflicts of Interest of the Investment Manager . . . . .	58
Potential Conflicts of Interest of the Owner Trustee . . . . .	58
Potential Conflicts of Interest Between the Classes of Notes . . . . .	59
Lack of Liquidity . . . . .	59
Combination or "Layering" of Multiple Risk Factors May Significantly Increase the Risk of Loss on Your Notes . . . . .	59
THE TRUST . . . . .	59
DESCRIPTION OF THE NOTES . . . . .	60
General . . . . .	60
Form, Registration and Transfer of the Notes . . . . .	61
Form of Notes . . . . .	61
Title . . . . .	61
Registration of Transfer and Exchange of Notes . . . . .	62
Transfer and Exchange of Definitive Notes . . . . .	66
Payment Procedures; Withholding Requirements . . . . .	66
Priority of Payments . . . . .	67
Scheduled Maturity Date and Early Redemption Date . . . . .	67
Interest . . . . .	68
Class Coupon . . . . .	68
Interest Payment . . . . .	68
Principal . . . . .	68

	<u>Page</u>
Reductions in Class Principal Balances of the Notes Due to Allocation of Tranche Write-down Amounts . . . . .	69
Increases in Class Principal Balances of the Notes Due to Allocation of Tranche Write-up Amounts . . . . .	69
Hypothetical Structure and Calculations with Respect to the Reference Tranches . . . . .	69
Allocation of Tranche Write-down Amounts . . . . .	69
Allocation of Tranche Write-up Amounts . . . . .	70
Allocation of Modification Loss Amount . . . . .	71
Allocation of Modification Gain Amount . . . . .	72
Allocation of Senior Reduction Amount and Subordinate Reduction Amount . . . . .	73
MAC NOTES . . . . .	74
Exchanges . . . . .	74
Exchange Procedures . . . . .	76
THE AGREEMENTS . . . . .	76
The Credit Protection Agreement . . . . .	76
General . . . . .	76
Reference Pool . . . . .	76
Credit Protection Agreement Payments . . . . .	76
CPA Scheduled Termination Date and CPA Early Termination Date . . . . .	77
Amendments to and Assignment of the Credit Protection Agreement . . . . .	78
Governing Law . . . . .	78
The Indenture . . . . .	79
General . . . . .	79
Grant of the Collateral . . . . .	79
Secured Parties' Relations; Subordination . . . . .	79
Standard of Conduct . . . . .	80
Accounts, Accountings and Reports . . . . .	80
Payment Date Statement . . . . .	81
Indenture Events of Default . . . . .	83
Application of Proceeds . . . . .	85
Amendments . . . . .	86
Consolidation, Merger or Transfer of Assets . . . . .	88
Petitions for Bankruptcy . . . . .	88
Satisfaction and Discharge of the Indenture . . . . .	88
Binding Effect of the Indenture . . . . .	88
Notes Acquired by Freddie Mac . . . . .	89
Third-Party Beneficiaries . . . . .	89
Notice . . . . .	89
Governing Law . . . . .	89
The Investment Management Agreement . . . . .	89
The Securities Account Control Agreement . . . . .	90
The Administration Agreement . . . . .	91
THE PARTIES . . . . .	91
Freddie Mac as Sponsor, Administrator and Certificateholder . . . . .	91
Indenture Trustee and Custodian . . . . .	92
Resignation and Removal of the Indenture Trustee; Appointment of Successor . . . . .	93
Resignation and Removal of the Custodian . . . . .	94
Owner Trustee . . . . .	94
Exchange Administrator . . . . .	94
HISTORICAL INFORMATION . . . . .	95
PREPAYMENT AND YIELD CONSIDERATIONS . . . . .	95
Credit Events and Modification Events . . . . .	95
Prepayment Considerations and Risks . . . . .	96



	<u>Page</u>
MAC Notes .....	98
Assumptions Relating to Weighted Average Life Tables, Declining Balances Tables, Credit Event Sensitivity Table, Cumulative Note Write-down Amount Tables and Yield Tables .....	98
Weighted Average Lives of the Notes .....	99
Weighted Average Life Tables .....	101
Declining Balances Tables .....	103
Yield Considerations with Respect to the Notes .....	105
Credit Event Sensitivity Table .....	106
Cumulative Note Write-down Amount Tables .....	107
Yield Tables .....	109
USE OF PROCEEDS .....	114
CERTAIN LEGAL ASPECTS OF THE REFERENCE OBLIGATIONS .....	115
Security Instruments .....	115
Foreclosure .....	115
Rights of Redemption .....	118
Anti-Deficiency Legislation and Other Limitations on Lenders .....	118
Enforceability of Due-On-Sale Clauses .....	120
Subordinate Financing .....	120
Servicemembers Civil Relief Act .....	120
CERTAIN CONSIDERATIONS UNDER THE COMMODITY EXCHANGE ACT .....	121
General .....	121
The de minimis exemption — CFTC Rule 4.13(a)(3) .....	122
Entities subject to other legal and regulatory regimes — the CFTC Rule 4.5 exclusions .....	122
REIT no action and interpretive letters .....	123
Funds of funds .....	124
Claiming the de minimis exemption .....	125
Claiming the CFTC Rule 4.5 CPO exclusion .....	125
CERTAIN UNITED STATES FEDERAL TAX CONSEQUENCES .....	126
Treatment of the Trust .....	126
Treatment of the Notes .....	126
U.S. Beneficial Owners .....	127
Original Class M Notes .....	127
Class B Notes .....	131
Treatment of the MAC Notes for U.S. Beneficial Owners .....	132
Treatment if the Original Class M Notes are Not Respected as Indebtedness or if the Class B Notes are Not Treated in part as a Limited Recourse Guarantee Contract and in part as an Interest- Bearing Collateral Arrangement to the Extent of the Principal Balance of the Class B Notes . . .	134
Non-U.S. Beneficial Owners .....	134
Original Class M Notes and MAC Notes .....	134
Class B Notes .....	136
U.S. Federal Estate and Gift Taxes .....	137
Information Reporting and Backup Withholding .....	137
FATCA Withholding .....	138
STATE, LOCAL AND FOREIGN TAX CONSEQUENCES .....	138
LEGAL INVESTMENT .....	139
EU RISK RETENTION REQUIREMENTS .....	139
CERTAIN ERISA CONSIDERATIONS .....	140
General .....	140
Prohibited Transactions .....	141
General .....	141
Plan Asset Regulation .....	141
Prohibited Transaction Exemptions .....	142
Review by Plan Fiduciaries .....	142

	<b>Page</b>
PLACEMENT . . . . .	144
NOTICE TO INVESTORS . . . . .	144
Notice to Canadian Investors . . . . .	148
RATINGS . . . . .	148
LEGAL MATTERS . . . . .	149
GLOSSARY OF SIGNIFICANT TERMS . . . . .	150
APPENDIX A The Reference Obligations . . . . .	A-1
APPENDIX B Third-Party Diligence Provider’s Data Integrity Review Discrepancies . . . . .	B-1
APPENDIX C Assumed Characteristics of the Reference Obligations (as of the Cut-off Date) . . . . .	C-1
APPENDIX D Selling Restrictions . . . . .	D-1
APPENDIX E Third-Party BPO Values . . . . .	E-1
APPENDIX F No Action Letter . . . . .	F-1
APPENDIX G Former Appendix A to CFTC Part 4 Rules . . . . .	G-1
ANNEX A MORTGAGE LOAN PURCHASE AND SERVICING . . . . .	AA-1
General . . . . .	AA-1
Approved Sellers and Servicers . . . . .	AA-2
Underwriting Standards . . . . .	AA-2
The Application . . . . .	AA-3
Use of Credit Scoring . . . . .	AA-3
Loan-to-Value Ratio . . . . .	AA-4
Debt-to-Income Ratio . . . . .	AA-4
Loans with Subordinate Financing . . . . .	AA-4
Documentation . . . . .	AA-4
Collateral Valuation . . . . .	AA-5
Flood Determinations and Property Insurance . . . . .	AA-5
Title Insurance . . . . .	AA-5
Servicing Standards . . . . .	AA-6
General . . . . .	AA-6
Servicing Responsibilities and Compensation . . . . .	AA-6
Mortgage Loan Life Cycle . . . . .	AA-8
Applicable Law . . . . .	AA-8
Collection and Other Servicing Procedures . . . . .	AA-8
Property Insurance . . . . .	AA-9
Default Management . . . . .	AA-9
Mortgage Insurance Claims . . . . .	AA-13
Servicing Alignment Initiative and Making Home Affordable Programs . . . . .	AA-13
Monitoring Servicing Performance, Freddie Mac Servicer Success Program . . . . .	AA-13
Servicer Termination . . . . .	AA-14
Servicing Quality Assurance . . . . .	AA-14
Quality Control Process . . . . .	AA-15
General . . . . .	AA-15
Performing Loan Quality Control Review . . . . .	AA-15
Performing Loan Quality Control Review Sampling . . . . .	AA-15
Credit Review . . . . .	AA-15
Responsible Lending Review . . . . .	AA-16
Non-Performing Loan Quality Control Review . . . . .	AA-16
Limitations of the Quality Control Review Process . . . . .	AA-17
Repurchases . . . . .	AA-17
Quality Assurance . . . . .	AA-18
Data Reconciliations . . . . .	AA-18
Representation and Warranties Settlements . . . . .	AA-18



	<b>Page</b>
REO Disposition .....	AA-18
General .....	AA-18
The REO Intake Process .....	AA-18
Redemption and Confirmation Periods .....	AA-18
Preservation & Maintenance .....	AA-19
Rental Management/Eviction .....	AA-19
Title .....	AA-19
Property Valuation and Disposition .....	AA-19
Special Sales Programs .....	AA-20
Repurchase .....	AA-20

**TABLE 1**  
**STRUCTURED AGENCY CREDIT RISK (STACR®)**  
*STACR Trust 2018-HRP1 Notes*

**\$880,000,000**

Class of Original Notes	Original Class Principal Balance <sup>(1)</sup>	Initial Class Coupon	Class Coupon Formula <sup>(2)</sup>		Class Coupon Minimum Rate	CUSIP Number	Scheduled Maturity Date	Expected Ratings (Fitch/Morningstar) <sup>(3)</sup>	Expected WAL (Years) <sup>(1)</sup>	Expected Principal Window (Months) <sup>(1)</sup>	Expected Initial Credit Enhancement
M-2A <sup>(4)</sup>	\$181,000,000	[ ]%	One-Month LIBOR + [ ]%		0%	3137G0UY3	May 2043	BB+sf/BBB+	1.26	5 - 26	3.375%
M-2B <sup>(4)</sup>	\$181,000,000	[ ]%	One-Month LIBOR + [ ]%		0%	3137G0UZ0	May 2043	BB-sf/BBB-	3.23	26 - 52	2.500%
B-1	\$259,000,000	[ ]%	One-Month LIBOR + [ ]%		0%	3137G0VA4	May 2043	NR/NR	6.55	52 - 110	1.250%
B-2	\$259,000,000	[ ]%	One-Month LIBOR + [ ]%		0%	3137G0VB2	May 2043	NR/NR	9.96	110 - 120	0.000%
Class of MAC Notes	Maximum Original Class Principal Balance or Notional Principal Amount <sup>(1)</sup>	Initial Class Coupon	Class Coupon Formula <sup>(2)</sup>		Class Coupon Minimum Rate	CUSIP Number	Scheduled Maturity Date	Expected Ratings (Fitch/Morningstar) <sup>(3)</sup>	Expected WAL (Years) <sup>(1)</sup>	Expected Principal Window (Months) <sup>(1)</sup>	Expected Initial Credit Enhancement
M-2 <sup>(5)</sup>	\$362,000,000	[ ]%	One-Month LIBOR + [ ]%		0%	3137G0VC0	May 2043	BB-sf/BBB-	2.24	5 - 52	2.500%
M-2R <sup>(5)</sup>	\$362,000,000	[ ]%	One-Month LIBOR + [ ]%		0%	3137G0VD8	May 2043	BB-sf/BBB-	2.24	5 - 52	2.500%
M-2S <sup>(5)</sup>	\$362,000,000	[ ]%	One-Month LIBOR + [ ]%		0%	3137G0VE6	May 2043	BB-sf/BBB-	2.24	5 - 52	2.500%
M-2T <sup>(5)</sup>	\$362,000,000	[ ]%	One-Month LIBOR + [ ]%		0%	3137G0VF3	May 2043	BB-sf/BBB-	2.24	5 - 52	2.500%
M-2U <sup>(5)</sup>	\$362,000,000	[ ]%	One-Month LIBOR + [ ]%		0%	3137G0VG1	May 2043	BB-sf/BBB-	2.24	5 - 52	2.500%
M-2I <sup>(5)</sup>	\$362,000,000 <sup>(6)</sup>	[ ]% <sup>(7)</sup>	N/A		0%	3137G0VH9	May 2043	BB-sf/BBB-	2.24	N/A	2.500%
M-2AR <sup>(5)</sup>	\$181,000,000	[ ]%	One-Month LIBOR + [ ]%		0%	3137G0VJ5	May 2043	BB+sf/BBB+	1.26	5 - 26	3.375%
M-2AS <sup>(5)</sup>	\$181,000,000	[ ]%	One-Month LIBOR + [ ]%		0%	3137G0VK2	May 2043	BB+sf/BBB+	1.26	5 - 26	3.375%
M-2AT <sup>(5)</sup>	\$181,000,000	[ ]%	One-Month LIBOR + [ ]%		0%	3137G0VL0	May 2043	BB+sf/BBB+	1.26	5 - 26	3.375%
M-2AU <sup>(5)</sup>	\$181,000,000	[ ]%	One-Month LIBOR + [ ]%		0%	3137G0VM8	May 2043	BB+sf/BBB+	1.26	5 - 26	3.375%
M-2AI <sup>(5)</sup>	\$181,000,000 <sup>(6)</sup>	[ ]% <sup>(7)</sup>	N/A		0%	3137G0VN6	May 2043	BB+sf/BBB+	1.26	N/A	3.375%
M-2BR <sup>(5)</sup>	\$181,000,000	[ ]%	One-Month LIBOR + [ ]%		0%	3137G0VP1	May 2043	BB-sf/BBB-	3.23	26 - 52	2.500%
M-2BS <sup>(5)</sup>	\$181,000,000	[ ]%	One-Month LIBOR + [ ]%		0%	3137G0VQ9	May 2043	BB-sf/BBB-	3.23	26 - 52	2.500%
M-2BT <sup>(5)</sup>	\$181,000,000	[ ]%	One-Month LIBOR + [ ]%		0%	3137G0VR7	May 2043	BB-sf/BBB-	3.23	26 - 52	2.500%
M-2BU <sup>(5)</sup>	\$181,000,000	[ ]%	One-Month LIBOR + [ ]%		0%	3137G0VS5	May 2043	BB-sf/BBB-	3.23	26 - 52	2.500%
M-2BI <sup>(5)</sup>	\$181,000,000 <sup>(6)</sup>	[ ]% <sup>(7)</sup>	N/A		0%	3137G0VT3	May 2043	BB-sf/BBB-	3.23	N/A	2.500%
Class of Reference Tranche		Initial Class Coupon	Class Coupon Formula <sup>(2)</sup>		Class Coupon Minimum Rate						
M-1H Reference Tranche <sup>(8)</sup>		[ ]%	One-Month LIBOR + [ ]%		0%						

- (1) The Class Principal Balances and Notional Principal Amounts presented in this Memorandum are approximate. Expected weighted average lives and principal windows with respect to the Notes above are based on (i) the assumption that the Early Redemption Date occurs in May 2028 and (ii) certain Modeling Assumptions, including that prepayments occur at the pricing speed of 10% CPR, calculated from the Closing Date, no Credit Events occur, no Modification Events occur and the Notes pay on the 25th day of each calendar month beginning in June 2018. The balances shown for the MAC Notes represent the maximum original Class Principal Balances or Notional Principal Amounts of such Classes, as applicable.
- (2) The Indenture Trustee will determine One-Month LIBOR using the method described in the definition of One-Month LIBOR in the *Glossary of Significant Terms*.
- (3) See "Ratings" herein.
- (4) The Class M-2A Notes and the Class M-2B Notes are Exchangeable Notes. The Holders of the Exchangeable Notes can exchange all or part of those Classes for proportionate interests in the related Class or Classes of MAC Notes, and vice versa, as further described on Table 2. In addition, certain Classes of MAC Notes can be further exchanged for other Classes of MAC Notes, as described on Table 2, and vice versa.
- (5) MAC Notes.
- (6) Notional Principal Amount.
- (7) Interest Only MAC Notes bear interest at fixed rates per annum. However, in the event that One-Month LIBOR for any Accrual Period is less than zero, the Class Coupons of Interest Only MAC Notes may be subject to downward adjustment such that the aggregate amount of interest payable to such MAC Note and the other MAC Notes in the related Combination would not exceed the aggregate Interest Payment Amount otherwise payable to the related Exchangeable Notes for which such Classes were exchanged (or related MAC Notes in the case of Combinations 2, 3, 4 and 5).
- (8) The Class M-1H Reference Tranche is not a Note. It is deemed to bear interest at the Class Coupon shown solely for purposes of calculating allocations of any Modification Gain Amounts or Modification Loss Amounts.

**TABLE 2**  
**AVAILABLE MODIFICATIONS AND COMBINATIONS**

Combination	Exchangeable or MAC Class	Original Class Principal Balance	Exchange Proportions <sup>(1)</sup>	MAC Class	Maximum Original Class Principal Balance/Notional Principal Amount	Exchange Proportions <sup>(1)</sup>	Interest Formula <sup>(2)</sup>	CUSIP Number	Expected Ratings (Fitch/Morningstar)
1	M-2A	\$181,000,000	50%	M-2	\$362,000,000	100%	One-Month LIBOR + [ ]%	3137G0VC0	BB–sf/BBB–
	M-2B	\$181,000,000	50%						
2	M-2	\$362,000,000	100%	M-2R	\$362,000,000	100%	One-Month LIBOR + [ ]%	3137G0VD8	BB–sf/BBB–
				M-2I	\$362,000,000 <sup>(3)</sup>	100%	[ ]%	3137G0VH9	BB–sf/BBB–
3	M-2	\$362,000,000	100%	M-2S	\$362,000,000	100%	One-Month LIBOR + [ ]%	3137G0VE6	BB–sf/BBB–
				M-2I	\$289,600,000 <sup>(3)</sup>	80%	[ ]%	3137G0VH9	BB–sf/BBB–
4	M-2	\$362,000,000	100%	M-2T	\$362,000,000	100%	One-Month LIBOR + [ ]%	3137G0VF3	BB–sf/BBB–
				M-2I	\$217,200,000 <sup>(3)</sup>	60%	[ ]%	3137G0VH9	BB–sf/BBB–
5	M-2	\$362,000,000	100%	M-2U	\$362,000,000	100%	One-Month LIBOR + [ ]%	3137G0VG1	BB–sf/BBB–
				M-2I	\$144,800,000 <sup>(3)</sup>	40%	[ ]%	3137G0VH9	BB–sf/BBB–
6	M-2A	\$181,000,000	100%	M-2AR	\$181,000,000	100%	One-Month LIBOR + [ ]%	3137G0VJ5	BB+sf/BBB+
				M-2AI	\$181,000,000 <sup>(3)</sup>	100%	[ ]%	3137G0VN6	BB+sf/BBB+
7	M-2A	\$181,000,000	100%	M-2AS	\$181,000,000	100%	One-Month LIBOR + [ ]%	3137G0VK2	BB+sf/BBB+
				M-2AI	\$144,800,000 <sup>(3)</sup>	80%	[ ]%	3137G0VN6	BB+sf/BBB+
8	M-2A	\$181,000,000	100%	M-2AT	\$181,000,000	100%	One-Month LIBOR + [ ]%	3137G0VL0	BB+sf/BBB+
				M-2AI	\$108,600,000 <sup>(3)</sup>	60%	[ ]%	3137G0VN6	BB+sf/BBB+
9	M-2A	\$181,000,000	100%	M-2AU	\$181,000,000	100%	One-Month LIBOR + [ ]%	3137G0VM8	BB+sf/BBB+
				M-2AI	\$ 72,400,000 <sup>(3)</sup>	40%	[ ]%	3137G0VN6	BB+sf/BBB+
10	M-2B	\$181,000,000	100%	M-2BR	\$181,000,000	100%	One-Month LIBOR + [ ]%	3137G0VP1	BB–sf/BBB–
				M-2BI	\$181,000,000 <sup>(3)</sup>	100%	[ ]%	3137G0VT3	BB–sf/BBB–
11	M-2B	\$181,000,000	100%	M-2BS	\$181,000,000	100%	One-Month LIBOR + [ ]%	3137G0VQ9	BB–sf/BBB–
				M-2BI	\$144,800,000 <sup>(3)</sup>	80%	[ ]%	3137G0VT3	BB–sf/BBB–
12	M-2B	\$181,000,000	100%	M-2BT	\$181,000,000	100%	One-Month LIBOR + [ ]%	3137G0VR7	BB–sf/BBB–
				M-2BI	\$108,600,000 <sup>(3)</sup>	60%	[ ]%	3137G0VT3	BB–sf/BBB–
13	M-2B	\$181,000,000	100%	M-2BU	\$181,000,000	100%	One-Month LIBOR + [ ]%	3137G0VS5	BB–sf/BBB–
				M-2BI	\$ 72,400,000 <sup>(3)</sup>	40%	[ ]%	3137G0VT3	BB–sf/BBB–

- (1) Exchange proportions are constant proportions of the *original* Class Principal Balances (or *original* Notional Principal Amounts, if applicable) of the Exchangeable Classes or MAC Classes, as applicable. In accordance with the exchange proportions, you may exchange the Exchangeable Notes for MAC Notes, and vice versa. In addition, in the case of Combinations 2, 3, 4 and 5, in accordance with the exchange proportions, the indicated MAC Notes may further be exchanged for other MAC Notes, and vice versa.
- (2) In the event that One-Month LIBOR for any Accrual Period is less than zero, the Class Coupons on the Class M-2I, Class M-2AI and Class M-2BI Notes may be subject to downward adjustment such that the aggregate amount of interest payable to such MAC Notes and the other MAC Notes in the related Combination would not exceed the aggregate Interest Payment Amount otherwise payable to the related Exchangeable Notes for which such Classes were exchanged (or related MAC Notes in the case of Combinations 2, 3, 4 and 5).
- (3) Notional Principal Amount.

## Exchange Procedures

### Notice

Any Holder wishing to exchange Notes must notify the Exchange Administrator by email at [sfs.exchange@usbank.com](mailto:sfs.exchange@usbank.com) no later than two Business Days before the proposed exchange date. The exchange date with respect to any exchange can be any Business Day other than the first or last Business Day of the month, the Payment Date, the Record Date related to the next Payment Date or the Business Day following such Record Date. A notice becomes irrevocable on the second Business Day before the proposed exchange date.

### Exchange Fee

Except with any deemed exchange of the Class M-2A and Class M-2B Notes, in whole or in part, on the Closing Date, in connection with each exchange, the Holder must pay the Exchange Administrator a fee equal to \$5,000 for each exchange request and such fee must be received by the Exchange Administrator prior to the exchange date or such exchange will not be effected. In addition, any Holder wishing to effect such an exchange must pay any other expenses related to such exchange, including any fees charged by DTC.

***Payment Date***

The Indenture Trustee will make the first payment on any Exchangeable Note or MAC Note received by a Holder in an exchange transaction on the Payment Date related to the next Record Date following the exchange; provided, however, that with respect to the deemed exchange on the Closing Date of the Class M-2A and Class M-2B Notes, in whole or in part, as applicable, for the Class M-2 Notes, the first payment on the Class M-2 Notes shall be on the Payment Date occurring in June 2018.

THIS MEMORANDUM CONTAINS SUBSTANTIAL INFORMATION ABOUT THE NOTES AND THE OBLIGATIONS OF THE TRUST, THE EXCHANGE ADMINISTRATOR, THE INDENTURE TRUSTEE, THE OWNER TRUSTEE AND THE INITIAL PURCHASERS WITH RESPECT TO THE NOTES. YOU ARE URGED TO REVIEW THIS MEMORANDUM IN ITS ENTIRETY. THE OBLIGATIONS OF THE PARTIES WITH RESPECT TO THE TRANSACTIONS CONTEMPLATED HEREIN ARE SET FORTH IN AND WILL BE GOVERNED BY CERTAIN DOCUMENTS DESCRIBED HEREIN.

YOU ARE NOT TO CONSTRUE THE CONTENTS OF THIS MEMORANDUM OR ANY PRIOR OR SUBSEQUENT COMMUNICATIONS FROM US, THE EXCHANGE ADMINISTRATOR, THE INDENTURE TRUSTEE, THE OWNER TRUSTEE OR THE INITIAL PURCHASERS OR ANY OF THEIR RESPECTIVE OFFICERS, EMPLOYEES OR AGENTS AS INVESTMENT, LEGAL, ACCOUNTING OR TAX ADVICE. PRIOR TO INVESTING IN THE NOTES YOU SHOULD CONSULT WITH LEGAL, YOUR, ACCOUNTING, REGULATORY AND TAX ADVISORS TO DETERMINE THE CONSEQUENCES OF AN INVESTMENT IN THE NOTES AND ARRIVE AT AN INDEPENDENT EVALUATION OF SUCH INVESTMENT, INCLUDING THE RISKS RELATED THERETO.

NO PERSON HAS BEEN AUTHORIZED TO GIVE ANY INFORMATION OR TO MAKE ANY REPRESENTATIONS OTHER THAN THOSE CONTAINED IN THIS MEMORANDUM. THIS MEMORANDUM DOES NOT CONSTITUTE AN OFFER TO SELL OR A SOLICITATION OF AN OFFER TO BUY ANY SECURITIES OTHER THAN THE NOTES. THIS MEMORANDUM SHALL NOT CONSTITUTE AN OFFER TO SELL OR THE SOLICITATION OF AN OFFER TO BUY, NOR SHALL THERE BE ANY SALE OF THE NOTES, IN ANY STATE OR OTHER JURISDICTION IN WHICH SUCH OFFER, SOLICITATION OR SALE WOULD BE UNLAWFUL PRIOR TO REGISTRATION OR QUALIFICATION UNDER THE SECURITIES LAWS OF SUCH STATE OR OTHER JURISDICTION. THE DELIVERY OF THIS MEMORANDUM AT ANY TIME DOES NOT IMPLY THAT INFORMATION HEREIN IS CORRECT AS OF ANY TIME SUBSEQUENT TO THE DATE OF THIS MEMORANDUM OR THE EARLIER DATES HEREIN, AS APPLICABLE.

THIS MEMORANDUM HAS BEEN PREPARED BY US. NO OTHER PARTY MAKES ANY REPRESENTATIONS OR WARRANTIES AS TO THE ACCURACY OR COMPLETENESS OF THE INFORMATION CONTAINED IN THIS MEMORANDUM. NOTHING HEREIN SHALL BE DEEMED TO CONSTITUTE A REPRESENTATION OR WARRANTY BY ANY PARTY NOR A PROMISE OR REPRESENTATION AS TO THE FUTURE PERFORMANCE OF THE RELATED MORTGAGE LOANS OR THE NOTES. IN THIS MEMORANDUM, THE TERMS “WE”, “US” AND “OUR” REFER TO FREDDIE MAC.

IT IS EXPECTED THAT INVESTORS INTERESTED IN PARTICIPATING IN THIS PRIVATE PLACEMENT WILL CONDUCT AN INDEPENDENT INVESTIGATION OF THE RISKS POSED BY AN INVESTMENT IN THE NOTES. OUR REPRESENTATIVES WILL BE AVAILABLE TO ANSWER QUESTIONS CONCERNING THE TRANSACTION AND WILL, UPON REQUEST, MAKE AVAILABLE SUCH ADDITIONAL INFORMATION AS INVESTORS MAY REASONABLY REQUEST (TO THE EXTENT WE HAVE OR CAN ACQUIRE SUCH INFORMATION WITHOUT UNREASONABLE EFFORT OR EXPENSE) IN ORDER TO VERIFY THE INFORMATION FURNISHED IN THIS MEMORANDUM.

THE NOTES ARE NOT “MORTGAGE RELATED SECURITIES” FOR PURPOSES OF SMMEA. ACCORDINGLY, THE APPROPRIATE CHARACTERIZATION OF THE NOTES UNDER VARIOUS LEGAL INVESTMENT RESTRICTIONS, AND THUS THE ABILITY OF INVESTORS SUBJECT TO THESE RESTRICTIONS TO PURCHASE THE NOTES, IS SUBJECT TO SIGNIFICANT INTERPRETIVE UNCERTAINTIES. INVESTORS WHOSE INVESTMENT AUTHORITY IS SUBJECT TO LEGAL RESTRICTIONS SHOULD CONSULT THEIR OWN LEGAL ADVISORS TO DETERMINE WHETHER AND TO WHAT EXTENT THE NOTES CONSTITUTE LEGAL INVESTMENTS FOR THEM.

THE NOTES ARE BEING OFFERED AS A PRIVATE PLACEMENT TO, AND MAY ONLY BE HELD BY QUALIFIED INSTITUTIONAL BUYERS AS DEFINED IN RULE 144A UNDER THE SECURITIES ACT AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT OR THE SECURITIES LAWS OF ANY STATE. ACCORDINGLY, NO TRANSFER OF AN OFFERED NOTE MAY BE MADE UNLESS SUCH TRANSFER IS TO A QIB. INVESTORS SHOULD CONSULT WITH THEIR COUNSEL AS TO THE

APPLICABLE REQUIREMENTS FOR A PURCHASER TO AVAIL ITSELF OF ANY EXEMPTION UNDER THE SECURITIES ACT AND SUCH STATE LAWS. NONE OF THE TRUST, FREDDIE MAC, THE INITIAL PURCHASERS OR ANY OTHER PARTY IS OBLIGATED OR INTENDS TO REGISTER THE NOTES UNDER THE SECURITIES ACT, TO QUALIFY THE NOTES UNDER THE SECURITIES LAWS OF ANY STATE OR TO PROVIDE REGISTRATION RIGHTS TO ANY PURCHASER. FOR FURTHER DISCUSSION OF LIMITATIONS ON THE TRANSFERABILITY OF THE NOTES, SEE “*RISK FACTORS — LACK OF LIQUIDITY*” HEREIN.

**The Notes are expected to be issued in book-entry form only on the book-entry system of DTC, and any holder or proposed transferee must be a QIB and will be deemed to have represented and agreed to the transfer and ownership restrictions described herein. The Notes will bear legends consistent with the restrictions described above and under “Notice to Investors” in this Memorandum.**

WHILE THE TRUST MAY FALL WITHIN THE DEFINITION OF A “COMMODITY POOL” UNDER THE COMMODITY EXCHANGE ACT, WE ARE NOT REGISTERED WITH THE CFTC AS A COMMODITY POOL OPERATOR (A “CPO”) IN RELIANCE ON CFTC NO-ACTION LETTER 14-111 ISSUED BY THE CFTC DIVISION OF SWAP DEALER AND INTERMEDIARY OVERSIGHT TO US. AS PART OF THIS NO-ACTION LETTER, WE AGREE TO COMPLY WITH THE PROVISIONS OF CFTC RULE 4.13(a)(3) WITH RESPECT TO THE TRUST (EXCEPT, TO THE LIMITED EXTENT DESCRIBED IN THE NO-ACTION LETTER, THE RESTRICTION ON MARKETING INVESTMENTS IN THE TRUST AS OR IN A VEHICLE FOR TRADING IN THE COMMODITY FUTURES OR COMMODITY OPTIONS MARKETS OR IN SWAPS). CFTC RULE 4.13(a)(3) REQUIRES, AMONG OTHER THINGS, THAT THE TRUST ENGAGE IN LIMITED COMMODITY INTEREST TRADING AS SPECIFIED IN THE RULE AND THAT EACH INVESTOR BE AN ELIGIBLE INVESTOR AS SPECIFIED IN THE RULE. IT ALSO REQUIRES THAT THE NOTES BE EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT AND BE OFFERED AND SOLD WITHOUT MARKETING TO THE PUBLIC IN THE UNITED STATES. THEREFORE, UNLIKE A REGISTERED CPO, WE ARE NOT REQUIRED TO PROVIDE YOU WITH A CFTC-COMPLIANT DISCLOSURE DOCUMENT OR CERTIFIED ANNUAL REPORTS THAT SATISFY THE REQUIREMENTS OF CFTC RULES APPLICABLE TO REGISTERED CPOs. FURTHER, THIS MEMORANDUM HAS NOT BEEN REVIEWED OR APPROVED BY THE CFTC AND IT IS NOT ANTICIPATED THAT SUCH REVIEW OR APPROVAL WILL OCCUR.

#### **WE ARE IN CONSERVATORSHIP; POTENTIAL RECEIVERSHIP**

WE CONTINUE TO OPERATE UNDER THE CONSERVATORSHIP THAT COMMENCED ON SEPTEMBER 6, 2008, CONDUCTING OUR BUSINESS UNDER THE DIRECTION OF THE FHFA, AS CONSERVATOR. UPON ITS APPOINTMENT, FHFA, AS CONSERVATOR, IMMEDIATELY SUCCEEDED TO ALL RIGHTS, TITLES, POWERS AND PRIVILEGES OF FREDDIE MAC AND OF ANY STOCKHOLDER, OFFICER OR DIRECTOR OF FREDDIE MAC WITH RESPECT TO FREDDIE MAC AND ITS ASSETS. THE CONSERVATOR HAS DIRECTED AND WILL CONTINUE TO DIRECT CERTAIN OF OUR BUSINESS ACTIVITIES AND STRATEGIES. UNDER THE REFORM ACT, FHFA MUST PLACE US INTO RECEIVERSHIP IF FHFA MAKES A DETERMINATION IN WRITING THAT OUR ASSETS ARE LESS THAN OUR OBLIGATIONS FOR A PERIOD OF 60 DAYS. FHFA HAS NOTIFIED US THAT THE MEASUREMENT PERIOD FOR ANY MANDATORY RECEIVERSHIP DETERMINATION WITH RESPECT TO OUR ASSETS AND OBLIGATIONS WOULD COMMENCE NO EARLIER THAN THE SEC PUBLIC FILING DEADLINE FOR OUR QUARTERLY OR ANNUAL FINANCIAL STATEMENTS AND WOULD CONTINUE FOR 60 CALENDAR DAYS AFTER THAT DATE. FHFA HAS ALSO ADVISED US THAT, IF, DURING THAT 60-DAY PERIOD, WE RECEIVE FUNDS FROM TREASURY IN AN AMOUNT AT LEAST EQUAL TO THE DEFICIENCY AMOUNT UNDER THE PURCHASE AGREEMENT, THE DIRECTOR OF FHFA WILL NOT MAKE A MANDATORY RECEIVERSHIP DETERMINATION. IN ADDITION, WE COULD BE PUT INTO RECEIVERSHIP AT THE DISCRETION OF THE DIRECTOR OF FHFA AT ANY TIME FOR OTHER REASONS SET FORTH IN THE REFORM ACT. A RECEIVERSHIP WOULD TERMINATE THE CURRENT CONSERVATORSHIP.



IF FHFA WERE TO BECOME OUR RECEIVER, IT COULD EXERCISE CERTAIN POWERS THAT COULD ADVERSELY AFFECT THE NOTES.

IN ITS CAPACITY AS RECEIVER, FHFA WOULD HAVE THE RIGHT TO TRANSFER OR SELL ANY ASSET OR LIABILITY OF FREDDIE MAC, INCLUDING THE OBLIGATION TO MAKE ANY CREDIT PREMIUM PAYMENT, OR OTHER PAYMENT WE OWE TO THE TRUST, WITHOUT ANY APPROVAL, ASSIGNMENT OR CONSENT OF ANY PARTY. IF FHFA, AS RECEIVER, WERE TO TRANSFER SUCH OBLIGATION TO ANOTHER PARTY, YOU WOULD HAVE TO RELY ON THAT PARTY FOR SATISFACTION OF THE OBLIGATION AND WOULD BE EXPOSED TO THE CREDIT RISK OF THAT PARTY.

DURING A RECEIVERSHIP, CERTAIN RIGHTS OF NOTEHOLDERS MAY NOT BE ENFORCEABLE AGAINST FHFA, OR ENFORCEMENT OF SUCH RIGHTS MAY BE DELAYED.

THE REFORM ACT ALSO PROVIDES THAT NO PERSON MAY EXERCISE ANY RIGHT OR POWER TO TERMINATE, ACCELERATE OR DECLARE AN EVENT OF DEFAULT UNDER CERTAIN CONTRACTS TO WHICH WE ARE A PARTY, OR OBTAIN POSSESSION OF OR EXERCISE CONTROL OVER ANY PROPERTY OF FREDDIE MAC, OR AFFECT ANY CONTRACTUAL RIGHTS OF FREDDIE MAC, WITHOUT THE APPROVAL OF FHFA AS RECEIVER, FOR A PERIOD OF 90 DAYS FOLLOWING THE APPOINTMENT OF FHFA AS RECEIVER.

#### **IMPORTANT NOTICE REGARDING THE NOTES**

YOU SHOULD UNDERSTAND THAT YOU WILL NOT BE COMMITTED TO PURCHASE AND THE INITIAL PURCHASERS WILL NOT BE COMMITTED TO SELL ANY OF THE NOTES ANY SOONER THAN THE DATE ON WHICH THE RELEVANT CLASS OF NOTES HAS BEEN PRICED AND THE INITIAL PURCHASERS HAVE CONFIRMED THE ALLOCATION OF NOTES TO BE MADE TO INVESTORS. ANY “INDICATIONS OF INTEREST” EXPRESSED BY ANY PROSPECTIVE INVESTOR, AND ANY “SOFT CIRCLES” GENERATED BY THE INITIAL PURCHASERS, WILL NOT CREATE BINDING CONTRACTUAL OBLIGATIONS FOR SUCH PROSPECTIVE INVESTORS, ON THE ONE HAND, OR THE INITIAL PURCHASERS, THE TRUST OR ANY OF THEIR RESPECTIVE AGENTS OR AFFILIATES, ON THE OTHER HAND.

THE NOTES REFERRED TO IN THIS MEMORANDUM ARE SUBJECT TO MODIFICATION OR REVISION (INCLUDING THE POSSIBILITY THAT ONE OR MORE CLASSES OF NOTES MAY BE SPLIT, COMBINED OR ELIMINATED AT ANY TIME PRIOR TO THE ISSUANCE OR AVAILABILITY OF A FINAL MEMORANDUM) AND ARE OFFERED ON A “WHEN, AS AND IF ISSUED” BASIS. AS A RESULT OF THE FOREGOING, A PROSPECTIVE INVESTOR MAY COMMIT TO PURCHASE NOTES THAT HAVE CHARACTERISTICS THAT MAY CHANGE, AND EACH PROSPECTIVE INVESTOR IS ADVISED THAT ALL OR A PORTION OF THE NOTES REFERRED TO IN THIS MEMORANDUM MAY NOT BE ISSUED WITH THE CHARACTERISTICS DESCRIBED IN THIS MEMORANDUM. EACH INITIAL PURCHASER’S OBLIGATION TO SELL NOTES TO ANY PROSPECTIVE INVESTOR IS CONDITIONED ON THE NOTES AND THE TRANSACTION HAVING THE CHARACTERISTICS DESCRIBED IN THIS MEMORANDUM. IF FREDDIE MAC, THE INDENTURE TRUSTEE, THE ISSUER OR AN INITIAL PURCHASER DETERMINES THAT A CONDITION IS NOT SATISFIED IN ANY MATERIAL RESPECT, SUCH PROSPECTIVE INVESTOR WILL BE NOTIFIED, AND NEITHER THE TRUST NOR THE INITIAL PURCHASERS WILL HAVE ANY OBLIGATION TO SUCH PROSPECTIVE INVESTOR TO DELIVER ANY PORTION OF THE NOTES WHICH SUCH PROSPECTIVE INVESTOR HAS COMMITTED TO PURCHASE, AND THERE WILL BE NO LIABILITY BETWEEN THE INITIAL PURCHASERS OR ANY OF THEIR RESPECTIVE AGENTS OR AFFILIATES, ON THE ONE HAND, AND SUCH PROSPECTIVE INVESTOR, ON THE OTHER HAND, AS A CONSEQUENCE OF THE NON-DELIVERY.

TO THE EXTENT THAT YOU CHOOSE TO UTILIZE THIRD PARTY PREDICTIVE MODELS IN CONNECTION WITH CONSIDERING AN INVESTMENT IN THE NOTES, NEITHER WE NOR THE INITIAL PURCHASERS MAKE ANY REPRESENTATION OR WARRANTY REGARDING THE

ACCURACY, COMPLETENESS OR APPROPRIATENESS OF ANY INFORMATION OR REPORTS GENERATED BY SUCH MODELS, INCLUDING, WITHOUT LIMITATION, WHETHER THE NOTES, OR THE RELATED REFERENCE OBLIGATIONS WILL PERFORM IN A MANNER CONSISTENT THEREWITH.

#### **IMPORTANT NOTICE ABOUT INFORMATION PRESENTED IN THIS MEMORANDUM**

THE INFORMATION CONTAINED IN THIS MEMORANDUM MAY BE BASED ON ASSUMPTIONS REGARDING MARKET CONDITIONS AND OTHER MATTERS AS REFLECTED HEREIN. NO REPRESENTATION IS MADE REGARDING THE REASONABLENESS OF SUCH ASSUMPTIONS OR THE LIKELIHOOD THAT ANY SUCH ASSUMPTIONS WILL COINCIDE WITH ACTUAL MARKET CONDITIONS OR EVENTS, AND THIS MEMORANDUM SHOULD NOT BE RELIED UPON FOR SUCH PURPOSES. THE INITIAL PURCHASERS AND THEIR RESPECTIVE AFFILIATES, OFFICERS, DIRECTORS, PARTNERS AND EMPLOYEES, INCLUDING PERSONS INVOLVED IN THE PREPARATION OR ISSUANCE OF THIS MEMORANDUM, MAY FROM TIME TO TIME HAVE LONG OR SHORT POSITIONS IN, AND BUY AND SELL, THE SECURITIES MENTIONED HEREIN OR DERIVATIVES THEREOF (INCLUDING OPTIONS). IN ADDITION, THE INITIAL PURCHASERS AND THEIR RESPECTIVE AFFILIATES, OFFICERS, DIRECTORS, PARTNERS AND EMPLOYEES, INCLUDING PERSONS INVOLVED IN THE PREPARATION OR ISSUANCE OF THIS MEMORANDUM, MAY HAVE AN INVESTMENT OR COMMERCIAL BANKING RELATIONSHIP WITH US. SEE “*RISK FACTORS — THE INTERESTS OF THE TRANSACTION PARTIES AND OTHERS MAY CONFLICT WITH AND BE ADVERSE TO THE INTERESTS OF THE NOTEHOLDERS — POTENTIAL CONFLICTS OF INTEREST OF THE INITIAL PURCHASERS AND THEIR AFFILIATES*”. INFORMATION IN THIS MEMORANDUM IS CURRENT AS OF THE DATE APPEARING ON THE COVER PAGE OR THE EARLIER DATES SPECIFIED HEREIN, AS APPLICABLE, ONLY. INFORMATION IN THIS MEMORANDUM REGARDING ANY NOTES SUPERSEDES ALL PRIOR INFORMATION REGARDING SUCH NOTES. THE NOTES MAY NOT BE SUITABLE FOR ALL PROSPECTIVE INVESTORS.

#### **EU RISK RETENTION**

In connection with Article 405(1), we will undertake in the EU Risk Retention Letter that among other things we (i) will retain a material net economic interest in the transaction constituted by the issuance of the Notes of not less than 5% in the form specified in paragraph (a) of Article 405(1) and (ii) will not sell, hedge or otherwise mitigate our credit risk under or associated with such retained interest or the Reference Obligations, except to the extent permitted in accordance with Article 405(1). You are required to independently assess and determine the sufficiency for the purposes of complying with Article 405(1) of the information described under “*EU Risk Retention Requirements*” and in this Memorandum generally. See “*EU Risk Retention Requirements*” and “*Risk Factors — Governance and Regulation — Legislative or Regulatory Actions Could Adversely Affect Our Business Activities and the Reference Pool*”.

## **NOTICE TO EUROPEAN ECONOMIC AREA INVESTORS**

THIS MEMORANDUM IS NOT A PROSPECTUS FOR THE PURPOSES OF THE PROSPECTUS DIRECTIVE (AS DEFINED BELOW).

THE NOTES ARE NOT INTENDED TO BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO AND SHOULD NOT BE OFFERED, SOLD OR OTHERWISE MADE AVAILABLE TO ANY RETAIL INVESTOR IN THE EUROPEAN ECONOMIC AREA. FOR THESE PURPOSES, A RETAIL INVESTOR MEANS A PERSON WHO IS ONE (OR MORE) OF THE FOLLOWING:

- (I) A RETAIL CLIENT AS DEFINED IN POINT (11) OF ARTICLE 4(1) OF DIRECTIVE 2014/65/EU (AS AMENDED, “MIFID II”); OR
- (II) A CUSTOMER WITHIN THE MEANING OF DIRECTIVE 2002/92/EC, WHERE THAT CUSTOMER WOULD NOT QUALIFY AS A PROFESSIONAL CLIENT AS DEFINED IN POINT (10) OF ARTICLE 4(1) OF MIFID II; OR
- (III) NOT A QUALIFIED INVESTOR AS DEFINED IN DIRECTIVE 2003/71/EC (AS AMENDED, THE “PROSPECTUS DIRECTIVE”).

CONSEQUENTLY, NO KEY INFORMATION DOCUMENT REQUIRED BY REGULATION (EU) NO 1286/2014 (AS AMENDED, THE “PRIIPS REGULATION”) FOR OFFERING OR SELLING THE NOTES OR OTHERWISE MAKING THEM AVAILABLE TO RETAIL INVESTORS IN THE EUROPEAN ECONOMIC AREA HAS BEEN PREPARED AND THEREFORE OFFERING OR SELLING THE NOTES OR OTHERWISE MAKING THEM AVAILABLE TO ANY RETAIL INVESTOR IN THE EUROPEAN ECONOMIC AREA MAY BE UNLAWFUL UNDER THE PRIIPS REGULATION.

FURTHERMORE, THIS MEMORANDUM HAS BEEN PREPARED ON THE BASIS THAT ANY OFFER OF NOTES IN THE EUROPEAN ECONOMIC AREA WILL ONLY BE MADE TO A LEGAL ENTITY WHICH IS A QUALIFIED INVESTOR UNDER THE PROSPECTUS DIRECTIVE. ACCORDINGLY, ANY PERSON MAKING OR INTENDING TO MAKE AN OFFER IN THE EUROPEAN ECONOMIC AREA OF THE NOTES MAY ONLY DO SO WITH RESPECT TO QUALIFIED INVESTORS. NONE OF THE ISSUER OR ANY OF THE INITIAL PURCHASERS HAS AUTHORIZED, NOR DOES ANY OF THEM AUTHORIZE, THE MAKING OF ANY OFFER OF NOTES OTHER THAN TO QUALIFIED INVESTORS.

## **NOTICE TO UNITED KINGDOM INVESTORS**

THE ISSUER MAY CONSTITUTE A “COLLECTIVE INVESTMENT SCHEME” AS DEFINED BY SECTION 235 OF THE FSMA THAT IS NOT A “RECOGNIZED COLLECTIVE INVESTMENT SCHEME” FOR THE PURPOSES OF THE FSMA AND THAT HAS NOT BEEN AUTHORIZED, REGULATED OR OTHERWISE RECOGNIZED OR APPROVED. AS AN UNREGULATED SCHEME, THE NOTES CANNOT BE MARKETED IN THE UNITED KINGDOM TO THE GENERAL PUBLIC, EXCEPT IN ACCORDANCE WITH THE FSMA.

THE DISTRIBUTION OF THIS MEMORANDUM (A) IF MADE BY A PERSON WHO IS NOT AN AUTHORIZED PERSON UNDER THE FSMA, IS BEING MADE ONLY TO, OR DIRECTED ONLY AT, PERSONS WHO (I) ARE OUTSIDE THE UNITED KINGDOM, OR (II) HAVE PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS AND QUALIFY AS INVESTMENT PROFESSIONALS IN ACCORDANCE WITH ARTICLE 19(5) OF THE FINANCIAL SERVICES AND MARKETS ACT 2000 (FINANCIAL PROMOTION) ORDER 2005 (THE “FINANCIAL PROMOTION ORDER”), OR (III) ARE PERSONS FALLING WITHIN ARTICLE 49(2)(A) THROUGH (D) (HIGH NET WORTH COMPANIES, UNINCORPORATED ASSOCIATIONS, ETC.) OF THE FINANCIAL PROMOTION ORDER (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS “FPO PERSONS”); AND (B) IF MADE BY A PERSON WHO IS AN AUTHORIZED PERSON UNDER THE FSMA, IS BEING MADE ONLY TO, OR DIRECTED ONLY AT, PERSONS WHO (I) ARE OUTSIDE THE UNITED KINGDOM, OR (II) HAVE PROFESSIONAL EXPERIENCE IN MATTERS RELATING TO INVESTMENTS AND QUALIFY AS INVESTMENT PROFESSIONALS IN ACCORDANCE WITH ARTICLE 14(5) OF THE FINANCIAL

SERVICES AND MARKETS ACT 2000 (PROMOTION OF COLLECTIVE INVESTMENT SCHEMES) (EXEMPTIONS) ORDER 2001 (THE “PROMOTION OF COLLECTIVE INVESTMENT SCHEMES EXEMPTIONS ORDER”), OR (III) ARE PERSONS FALLING WITHIN ARTICLE 22(2)(A) THROUGH (D) (“HIGH NET WORTH COMPANIES, UNINCORPORATED ASSOCIATIONS, ETC.”) OF THE PROMOTION OF COLLECTIVE INVESTMENT SCHEMES EXEMPTIONS ORDER, OR (IV) ARE PERSONS TO WHOM THE ISSUER MAY LAWFULLY BE PROMOTED IN ACCORDANCE WITH CHAPTER 4.12 OF THE U.K. FINANCIAL CONDUCT AUTHORITY’S CONDUCT OF BUSINESS SOURCEBOOK (ALL SUCH PERSONS TOGETHER BEING REFERRED TO AS “PCIS PERSONS” AND, TOGETHER WITH THE FPO PERSONS, THE “RELEVANT PERSONS”).

THIS MEMORANDUM MUST NOT BE ACTED ON OR RELIED ON BY PERSONS WHO ARE NOT RELEVANT PERSONS. ANY INVESTMENT OR INVESTMENT ACTIVITY TO WHICH THIS MEMORANDUM RELATES, INCLUDING THE NOTES, IS AVAILABLE ONLY TO RELEVANT PERSONS AND WILL BE ENGAGED IN ONLY WITH RELEVANT PERSONS. ANY PERSONS OTHER THAN RELEVANT PERSONS SHOULD NOT ACT OR RELY ON THIS MEMORANDUM.

POTENTIAL INVESTORS IN THE UNITED KINGDOM ARE ADVISED THAT ALL, OR MOST, OF THE PROTECTIONS AFFORDED BY THE UNITED KINGDOM REGULATORY SYSTEM WILL NOT APPLY TO AN INVESTMENT IN THE NOTES AND THAT COMPENSATION WILL NOT BE AVAILABLE UNDER THE UNITED KINGDOM FINANCIAL SERVICES COMPENSATION SCHEME.

## FORWARD-LOOKING STATEMENTS

This Memorandum contains forward-looking statements within the meaning of Section 27A of the Securities Act. Specifically, forward-looking statements, together with related qualifying language and assumptions, are found in the material (including the tables) under the headings “*Risk Factors*” and “*Prepayment and Yield Considerations*” and in the appendices. Forward-looking statements are also found in other places throughout this Memorandum, and may be accompanied by, and identified with terms such as “could,” “may,” “will,” “believes,” “expects,” “intends,” “anticipates,” “forecasts,” “estimates,” or similar phrases. These statements involve known and unknown risks and uncertainties, some of which are beyond our control. These statements are not historical facts but rather represent our expectations based on current information, plans, judgments, assumptions, estimates and projections. Actual results or performance may differ from those described in or implied by such forward-looking statements due to various risks, uncertainties and other factors including the following: general economic and business conditions, competition, changes in political, social and economic conditions, regulatory initiatives and compliance with governmental regulations, customer preference and various other matters. Forward-looking statements are made only as of the date of this Memorandum. We undertake no obligation to update any forward-looking statements we make to reflect events or circumstances occurring after the date of this Memorandum.

## FREDDIE MAC

### General

Freddie Mac is a government sponsored enterprise chartered by Congress in 1970. Our public mission is to provide liquidity, stability and affordability to the U.S. housing market. We do this primarily by purchasing residential mortgage loans originated by lenders. In most instances, we package these loans into mortgage-related securities, which are guaranteed by us and sold in the global capital markets. We also invest in mortgage loans and mortgage-related securities. We do not originate loans or lend money directly to mortgagors.

We support the U.S. housing market and the overall economy by enabling America’s families to access mortgage loan funding with better terms and by providing consistent liquidity to the multifamily mortgage market. We have helped many distressed mortgagors keep their homes or avoid foreclosure. We are working with FHFA, our customers and the industry to build a better housing finance system for the nation.

Our statutory charter forms the framework for our business activities. Our purpose, as specified in our charter, is to:

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

### Conservatorship and Related Matters

We operate under the conservatorship that commenced on September 6, 2008, conducting our business under the direction of FHFA, as our Conservator. The conservatorship and related matters significantly affect our management, business activities, financial condition and results of operations. Upon its appointment, FHFA, as Conservator, immediately succeeded to all rights, titles, powers and privileges of Freddie Mac, and of any stockholder, officer or director thereof, with respect to the company and its assets. The Conservator also succeeded to the title to all books, records and assets of Freddie Mac held by any other legal custodian or third

party. The Conservator delegated certain authority to the Board of Directors to oversee, and management to conduct, business operations so that the company can continue to operate in the ordinary course. The directors serve on behalf of, and exercise authority as directed by, the Conservator.

Our future is uncertain, and the conservatorship has no specified termination date. We do not know what changes may occur to our business model during or following conservatorship, including whether we will continue to exist. We are not aware of any current plans of our Conservator to significantly change our business model or capital structure in the near term. Our future structure and role will be determined by the Administration and Congress, and it is possible and perhaps likely that there will be significant changes beyond the near term. We have no ability to predict the outcome of these deliberations.

In May 2014, FHFA issued its 2014 Strategic Plan for the Conservatorships of Fannie Mae and Freddie Mac, which updated FHFA's vision for implementing its obligations as Conservator. The 2014 Strategic Plan established three reformulated strategic goals for the conservatorships of Freddie Mac and Fannie Mae:

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

FHFA also has published annual Conservatorship Scorecards for Freddie Mac and Fannie Mae, which establish annual objectives as well as performance targets and measures for Freddie Mac and Fannie Mae related to the strategic goals set forth in the 2014 Strategic Plan for each year between 2014 and 2018. For information about the 2018 Conservatorship Scorecard, see our current report on Form 8-K filed on December 22, 2017.

### **Purchase Agreement, Warrant and Senior Preferred Stock**

In connection with our entry into conservatorship, we entered into the Purchase Agreement with Treasury on September 7, 2008. Under the Purchase Agreement, we issued to Treasury both one million shares of Senior Preferred Stock and the Warrant.

The Senior Preferred Stock and Warrant were issued to Treasury as an initial commitment fee in consideration of Treasury's commitment to provide funding to us under the Purchase Agreement. We did not receive any cash proceeds from Treasury as a result of issuing the Senior Preferred Stock or the Warrant. Under the Purchase Agreement, our ability to repay the liquidation preference of the Senior Preferred Stock is limited and we will not be able to do so for the foreseeable future, if at all.

The Purchase Agreement provides that, on a quarterly basis, we generally may draw funds up to the amount, if any, by which our total liabilities exceed our total assets, as reflected on our GAAP consolidated balance sheet for the applicable fiscal quarter, provided that the aggregate amount funded under the Purchase Agreement may not exceed Treasury's commitment. The amount of any draw will be added to the aggregate liquidation preference of the Senior Preferred Stock and will reduce the amount of available funding remaining. Deficits in our net worth have made it necessary for us to make substantial draws on Treasury's funding commitment under the Purchase Agreement. In addition, the Letter Agreement increased the aggregate liquidation preference of the senior preferred stock by \$3.0 billion on December 31, 2017. As of December 31, 2017, the aggregate liquidation preference of the senior preferred stock was \$75.3 billion, and the amount of available funding remaining under the Purchase Agreement was \$140.5 billion.

Treasury, as the holder of the Senior Preferred Stock, is entitled to receive cumulative quarterly cash dividends, when, as and if declared by our Board of Directors. The dividends we have paid to Treasury on the Senior Preferred Stock have been declared by, and paid at the direction of, the Conservator, acting as successor to the rights, titles, powers and privileges of the Board. Under the August 2012 amendment to the Purchase Agreement, our cash dividend requirement each quarter is the amount, if any, by which our net worth amount (as defined in the Purchase Agreement) at the end of the immediately preceding fiscal quarter, less the applicable capital reserve amount, exceeds zero. The applicable capital reserve amount from January 1, 2018 and thereafter



will be \$3.0 billion. As a result of the net worth sweep dividend, our future profits in excess of the applicable capital reserve amount will be distributed to Treasury, and the holders of our common stock and non-senior preferred stock will not receive benefits that could otherwise flow from such future profits. If for any reason we were not to pay the amount of our dividend requirement on the senior preferred stock in full, the unpaid amount would be added to the liquidation preference and our applicable capital reserve amount would thereafter be zero, but this would not affect our ability to draw funds from Treasury under the Purchase Agreement.

The Senior Preferred Stock is senior to our common stock and all other outstanding series of our preferred stock, as well as any capital stock we issue in the future, as to both dividends and rights upon liquidation. We are not permitted to redeem the Senior Preferred Stock prior to the termination of Treasury's funding commitment under the Purchase Agreement.

The Purchase Agreement provides that the Treasury's funding commitment will terminate under any of the following circumstances:

- The completion of our liquidation and fulfillment of Treasury's obligations under its funding commitment at that time;
- The payment in full of, or reasonable provision for, all of our liabilities (whether or not contingent, including mortgage guarantee obligations); and
- The funding by Treasury of the maximum amount of the commitment under the Purchase Agreement.

In addition, Treasury may terminate its funding commitment and declare the Purchase Agreement null and void if a court vacates, modifies, amends, conditions, enjoins, stays or otherwise affects the appointment of the Conservator or otherwise curtails the Conservator's powers. Treasury may not terminate its funding commitment under the Purchase Agreement solely by reason of our being in conservatorship, receivership or other insolvency proceeding, or due to our financial condition or any adverse change in our financial condition.

The Purchase Agreement has an indefinite term and can terminate only in limited circumstances, which do not include the end of the conservatorship. The Purchase Agreement therefore could continue after the conservatorship ends. However, Treasury's consent is required for a termination of conservatorship other than in connection with receivership. Treasury has the right to exercise the warrant, in whole or in part, at any time on or before September 7, 2028.

The Purchase Agreement provides that most provisions of the agreement may be waived or amended by mutual written agreement of the parties; however, no waiver or amendment of the agreement is permitted that would decrease Treasury's aggregate funding commitment or add conditions to Treasury's funding commitment if the waiver or amendment would adversely affect in any material respect the holders of our debt securities or mortgage guarantee obligations.

The Purchase Agreement provides limited rights to holders of our debt securities or mortgage guarantee obligations upon default. It is not likely that these rights would be available to Noteholders.

We receive substantial support from Treasury and are dependent upon its continued support in order to continue operating our business. Our ability to access funds from Treasury under the Purchase Agreement is critical to:

- Keeping us solvent;
- Allowing us to focus on our primary business objectives under conservatorship; and
- Avoiding the appointment of a receiver by FHFA under statutory mandatory receivership provisions.

## ADDITIONAL INFORMATION

Our common stock is registered with the SEC under the Exchange Act. We file reports and other information with the SEC.

As described below, we incorporate certain documents by reference in this Memorandum, which means that we are disclosing information to you by referring you to those documents rather than by providing you with separate copies. The Incorporated Documents are considered part of this Memorandum. You should read this Memorandum in conjunction with the Incorporated Documents. Information that we incorporate by reference will automatically update information in this Memorandum. Therefore, you should rely only on the most current information provided or incorporated by reference in this Memorandum.

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

After the Closing Date, you can obtain, without charge, copies of this Memorandum, the Incorporated Documents, the Indenture, the Credit Protection Agreement and the EU Risk Retention Letter from:

**Freddie Mac — Investor Inquiry**  
**1551 Park Run Drive, Mailstop D50**  
**McLean, Virginia 22102-3110**  
**Telephone: 1-800-336-3672**  
**(571-382-4000 within the Washington, D.C. area)**  
**E-mail: [Investor\\_Inquiry@freddiemac.com](mailto:Investor_Inquiry@freddiemac.com)**

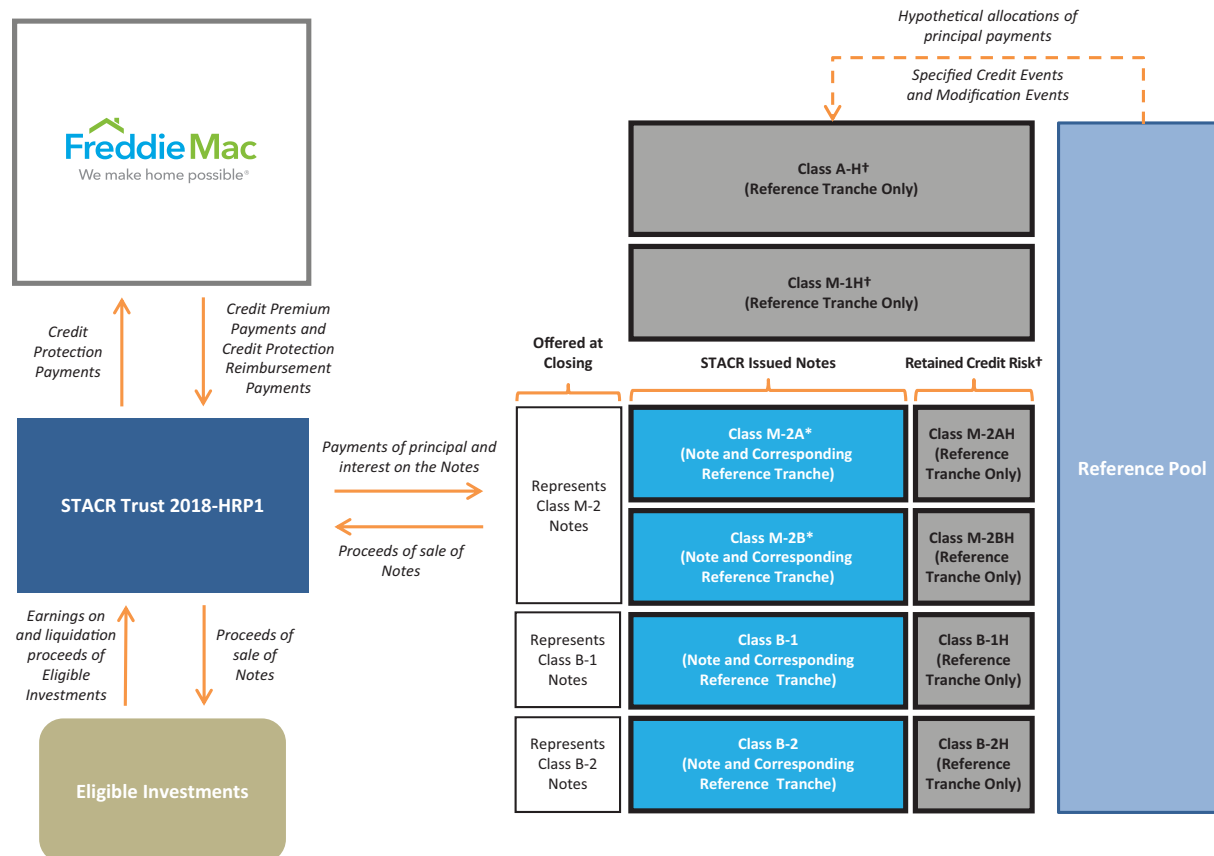
We also make these documents available on our internet website at this internet address: **[www.freddiemac.com](http://www.freddiemac.com)**\*.

We also make available on our internet website certain pool- and loan-level information regarding those mortgage loans backing our PCs based on information furnished to us by the sellers and servicers of such mortgage loans. Certain pool or loan-level information provided in this Memorandum, similarly, is based upon information reported and furnished to us by sellers and servicers of the mortgage loans (i) at the time we purchased the mortgage loans, (ii) through subsequent data revisions and (iii) in monthly servicing updates. We may not have independently verified information furnished to us by sellers and servicers regarding the mortgage loans and make no representations or warranties concerning the accuracy or completeness of that information. In addition, sellers sometimes provide information about certain mortgage loans that they sell to us in separate additional supplements. We have not verified the information in any additional supplements and make no representations or warranties concerning the accuracy or completeness of that information.

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

A prospective investor may access the Guide through [www.freddiemac.com/singlefamily/](http://www.freddiemac.com/singlefamily/) by clicking on "The Guide and Forms." The prospective investor should then click on "All Regs" which can be found under "Access the Guide".

## TRANSACTION DIAGRAM



### Classes of Reference Tranches

	Initial Class Notional Amount	Initial Subordination <sup>(1)</sup>
Class A-H	\$27,774,631,154	4.500%
Class M-1H	\$ 72,708,459	4.250% <sup>(2)</sup>
Class M-2A and Class M-2AH <sup>(3)</sup>	\$ 254,479,605	3.375% <sup>(4)</sup>
Class M-2B and Class M-2BH <sup>(5)</sup>	\$ 254,479,605	2.500% <sup>(6)</sup>
Class B-1 and Class B-1H <sup>(7)</sup>	\$ 363,542,293	1.250% <sup>(8)</sup>
Class B-2 and Class B-2H <sup>(9)</sup>	\$ 363,542,293	0.000%

\* The Class M-2A and Class M-2B Notes and corresponding Reference Tranches relate to the Class M-2 Notes. The Class M-2A and Class M-2B Notes are exchangeable for the Class M-2 Notes, and vice versa, pursuant to Combination 1 described in Table 2. In addition, certain Classes of MAC Notes can be further exchanged for other Classes of MAC Notes, and vice versa, as described on Table 2.

† See "EU Risk Retention Requirements" herein.

- (1) Represents the initial subordination and initial credit enhancement of such Class or Classes of Reference Tranches, which is equal to the percentage of the Cut-off Date Balance of the Reference Pool represented by the aggregate initial Class Notional Amount of the Class or Classes of Reference Tranches subordinate to the subject Class or Classes of Reference Tranches.
- (2) Represents the initial subordination and credit enhancement available to the Class M-1H Reference Tranche.
- (3) Pursuant to the hypothetical structure, the Class M-2A and Class M-2AH Reference Tranches are *pro rata* with each other. The initial Class Notional Amount shown is the aggregate amount for the Class M-2A and Class M-2AH Reference Tranches combined. The initial Class Notional Amount of the Class M-2A Reference Tranche is \$181,000,000 (which corresponds to the original Class Principal Balance of the Class M-2A Notes) and the initial Class Notional Amount for the Class M-2AH Reference Tranche is \$73,479,605.
- (4) Represents the initial subordination and credit enhancement available to the Class M-2A and Class M-2AH Reference Tranches in the aggregate.
- (5) Pursuant to the hypothetical structure, the Class M-2B and Class M-2BH Reference Tranches are *pro rata* with each other. The initial Class Notional Amount shown is the aggregate amount for the Class M-2B and Class M-2BH Reference Tranches combined. The initial Class Notional Amount of the Class M-2B Reference Tranche is \$181,000,000 (which corresponds to the original Class Principal Balance of the Class M-2B Notes) and the initial Class Notional Amount for the Class M-2BH Reference Tranche is \$73,479,605.
- (6) Represents the initial subordination and credit enhancement available to the Class M-2B and Class M-2BH Reference Tranches in the aggregate.
- (7) Pursuant to the hypothetical structure, the Class B-1 and Class B-1H Reference Tranches are *pro rata* with each other. The initial Class Notional Amount shown is the aggregate amount for the Class B-1 and Class B-1H Reference Tranches combined. The initial Class Notional Amount of the Class B-1 Reference Tranche is \$259,000,000 (which corresponds to the original Class Principal Balance of the Class B-1 Notes) and the initial Class Notional Amount for the Class B-1H Reference Tranche is \$104,542,293.
- (8) Represents the initial subordination and credit enhancement available to the Class B-1 and Class B-1H Reference Tranches in the aggregate.
- (9) Pursuant to the hypothetical structure, the Class B-2 and Class B-2H Reference Tranches are *pro rata* with each other. The initial Class Notional Amount shown is the aggregate amount for the Class B-2 and Class B-2H Reference Tranches combined. The initial Class Notional Amount of the Class B-2 Reference Tranche is \$259,000,000 (which corresponds to the original Class Principal Balance of the Class B-2 Notes) and the initial Class Notional Amount for the Class B-2H Reference Tranche is \$104,542,293.

## Hypothetical Structure and Calculations with Respect to the Reference Tranches

A hypothetical structure of Classes of Reference Tranches deemed to be backed by the Reference Pool has been established as indicated in the table set forth above. The Credit Protection Agreement, pursuant to which we will purchase credit protection from the Trust with respect to the Reference Pool, will reference this hypothetical structure to calculate for each Payment Date the amount of the Credit Premium Payments and Credit Protection Reimbursement Payments, if any, we will make to the Trust and the Credit Protection Payments, if any, to be made by the Trust to us, upon the occurrence of certain specified Credit Events and Modification Events relating to the Reference Pool. The Indenture will also reference this hypothetical structure to calculate, for each Payment Date, (i) write-downs (or write-ups) of principal or notional amounts on the Notes as a result of Credit Events or Modification Events on the Reference Obligations, (ii) any reduction or increase in interest amounts on the Notes as a result of Modification Events on the Reference Obligations and (iii) principal payments to be made on the Notes by the Trust. Pursuant to the hypothetical structure:

- The Class A-H Reference Tranche is senior to all the other Reference Tranches and therefore does not provide any credit enhancement to the other Reference Tranches.
- The Class M-1H Reference Tranche is subordinate to the Class A-H Reference Tranche and is senior to the Class M-2A, Class M-2AH, Class M-2B, Class M-2BH, Class B-1, Class B-1H, Class B-2 and Class B-2H Reference Tranches.
- The Class M-2A and Class M-2AH Reference Tranches are *pro rata* with each other with respect to principal and are subordinate to the Class A-H and Class M-1H Reference Tranches and are senior to the Class M-2B, Class M-2BH, Class B-1, Class B-1H, Class B-2 and Class B-2H Reference Tranches.
- The Class M-2B and Class M-2BH Reference Tranches are *pro rata* with each other with respect to principal and are subordinate to the Class A-H, Class M-1H, Class M-2A and Class M-2AH Reference Tranches and are senior to the Class B-1, Class B-1H, Class B-2 and Class B-2H Reference Tranches.
- The Class B-1 and Class B-1H Reference Tranches are *pro rata* with each other with respect to principal and are subordinate to the Class A-H, Class M-1H, Class M-2A, Class M-2AH, Class M-2B and Class M-2BH Reference Tranches and are senior to the Class B-2 and Class B-2H Reference Tranches.
- The Class B-2 and Class B-2H Reference Tranches are *pro rata* with each other with respect to principal and are subordinate to all the other Reference Tranches and therefore do not benefit from any credit enhancement.

Each Class of Reference Tranche will have the initial Class Notional Amount set forth in the table above and the aggregate of the initial Class Notional Amounts of all Classes of Reference Tranches will equal the Cut-off Date Balance of the Reference Pool. Any Tranche Write-down Amount allocated to a Class of Reference Tranche will result in a corresponding reduction in the Class Principal Balance of the corresponding Class of Notes. If Exchangeable Notes have been exchanged for MAC Notes, all Tranche Write-down Amounts that are allocable to such exchanged Exchangeable Notes will be allocated to reduce the Class Principal Balances or Notional Principal Amounts, as applicable, of such MAC Notes (or any MAC Notes further exchanged for such MAC Notes pursuant to an applicable Combination) in accordance with the exchange proportions applicable to the related Combination.

Pursuant to the Indenture, the Class M-2A Reference Tranche will correspond to the Class M-2A Notes, the Class M-2B Reference Tranche will correspond to the Class M-2B Notes, the Class B-1 Reference Tranche will correspond to the Class B-1 Notes and the Class B-2 Reference Tranche will correspond to the Class B-2 Notes. With respect to any Payment Date, any reductions in the Class Notional Amount of the Class M-2A, Class M-2B, Class B-1 or Class B-2 Reference Tranche will result in a corresponding reduction in the Class Principal Balance of the Class M-2A, Class M-2B, Class B-1 or Class B-2 Notes, as applicable. Similarly, with respect to any Payment Date, the amount of any Modification Loss Amount allocated to the Class M-2A, Class M-2B, Class B-1 or Class B-2 Reference Tranche pursuant to the *sixth*, *fifth*, *third* and *first* priorities of the definition of

Modification Loss Priority and as further described under “*Description of the Notes — Hypothetical Structure and Calculations with Respect to the Reference Tranches — Allocation of Modification Loss Amount*” will result in a corresponding reduction of the Interest Payment Amount of the Class M-2A, Class M-2B, Class B-1 or Class B-2 Notes, as applicable. Further, with respect to any Payment Date, the amount of any principal collections on the Reference Obligations that are allocated to reduce the Class Notional Amount of the Class M-2A, Class M-2B, Class B-1 or Class B-2 Reference Tranche, will result in a corresponding payment of principal on such Payment Date to the Class M-2A, Class M-2B, Class B-1 or Class B-2 Notes, as applicable. As a result of the linkage between the Class M-2A, Class M-2B, Class B-1 or Class B-2 Notes on the one hand, and the corresponding Class of Reference Tranche on the other hand, you should review and understand all the information related to the hypothetical structure and the Reference Tranches in this Memorandum and otherwise made available to you as if you were investing in the Class of Reference Tranche corresponding to your Class of Notes.

The effect of the Trust entering into the Credit Protection Agreement with us and of the Indenture linking the Notes to the performance of the Reference Pool and the corresponding Classes of Reference Tranches is that we will transfer certain credit risk that we would otherwise bear with respect to the Reference Pool to you. Specifically, our credit risk will be transferred to you to the extent that your Notes are subject to (i) principal or notional amount write-downs as a result of Credit Events or Modification Events on the Reference Obligations and (ii) interest amount reductions as a result of Modification Events on the Reference Obligations, in each case as described in this Memorandum. Because the Trust will not issue any notes that correspond to the Class A-H, Class M-1H, Class M-2AH, Class M-2BH, Class B-1H and Class B-2H Reference Tranches, we initially retain the credit risk represented by such Classes of Reference Tranches. On the Closing Date:

- the Class M-2AH Reference Tranche will represent no less than 5% of the combined initial Class Notional Amount of the Class M-2A and Class M-2AH Reference Tranches,
- the Class M-2BH Reference Tranche will represent no less than 5% of the combined initial Class Notional Amount of the Class M-2B and Class M-2BH Reference Tranches,
- the Class B-1H Reference Tranche will represent no less than 5% of the combined initial Class Notional Amount of the Class B-1 and Class B-1H Reference Tranches, and
- the Class B-2H Reference Tranche will represent no less than 5% of the combined initial Class Notional Amount of the Class B-2 and Class B-2H Reference Tranches.

On the Closing Date, we intend to enter into the EU Risk Retention Letter irrevocably restricting our ability to transfer or hedge more than a 95% *pro rata* share of the credit risk on any of (i) the Class A-H Reference Tranche, (ii) the Class M-1H Reference Tranche, (iii) the Class M-2A and Class M-2AH Reference Tranches (in the aggregate), (iv) the Class M-2B and Class M-2BH Reference Tranches (in the aggregate), (v) the Class B-1 and Class B-1H Reference Tranches (in the aggregate) or (vi) the Class B-2 and Class B-2H Reference Tranches (in the aggregate). We may effect any transfers or hedges that are not so restricted, in the future, by issuing new series of STACR notes and/or entering into Agency Credit Insurance Structure (ACIS) transactions, that reference the Reference Pool related to the Notes of this transaction. See “*EU Risk Retention Requirements*” and “*Risk Factors — Governance and Regulation — Legislative or Regulatory Actions Could Adversely Affect Our Business Activities and the Reference Pool*”.

## SUMMARY

*This summary highlights selected information and does not contain all of the information that you need to make your investment decision. It provides general, simplified descriptions of matters that, in some cases, are highly technical and complex. More detail is provided in other sections of this Memorandum and in the other documents referred to herein. Do not rely upon this summary for a full understanding of the matters you need to consider for any potential investment in the Notes. To understand the terms of the offering of the Notes, carefully read this entire Memorandum and the other documents referred to herein. You will find definitions of the capitalized terms used in this Memorandum in the “Glossary of Significant Terms.”*

**Transaction Overview** . . . . . On the Closing Date, the Trust will issue the Original Notes. The Notes will pay interest at the rates and times, and the principal amount thereof will be payable on the dates, described under “— *Payments on the Notes.*”

The Trust is expected to use the aggregate net proceeds realized from the sale of the Notes to purchase Eligible Investments, maturing not later than 60 days succeeding the date on which such Eligible Investments are purchased. From time to time, the Trust will acquire additional Eligible Investments with proceeds realized upon the maturity or redemption or other prepayment of existing Eligible Investments. The Trust will use the net investment earnings on the Eligible Investments, together with the Credit Premium Payments made under the Credit Protection Agreement, to pay interest on the Notes on each Payment Date.

The Notes will be scheduled to mature on the Payment Date in May 2043, but will be subject to mandatory redemption prior thereto if certain events occur that result in the early termination of the Credit Protection Agreement. See “*Description of the Notes — Scheduled Maturity Date and Early Redemption Date*”.

On the Closing Date, the Trust will enter into the Credit Protection Agreement with us as the credit protection buyer. The Credit Protection Agreement will reference the Reference Pool.

Under the Credit Protection Agreement, we will be required to make Credit Premium Payments and Credit Protection Reimbursement Payments, if any, to the Trust and the Trust will, subject to the satisfaction of certain conditions, be required to make Credit Protection Payments, if any, to us. The Credit Protection Agreement will permit netting of the Credit Protection Payment due on any Payment Date against the Credit Premium Payment and Credit Protection Reimbursement Payment due on the Business Day immediately prior to such Payment Date. As a result, only one party will actually make a payment to the other in any given calendar month. See “*The Agreements — The Credit Protection Agreement — General*” and “— *Credit Protection Agreement Payments*”.

The credit protection afforded to us under the Credit Protection Agreement will terminate on, and no further payments will be made by us to the Trust or by the Trust to us after, the CPA Termination Date (whether on or prior to the Scheduled Maturity Date, including as the result of an event of default under the Credit Protection Agreement or a CPA Early Termination Event).



<b>Sponsor</b> .....	Freddie Mac. See “ <i>We are In Conservatorship; Potential Receivership</i> ”, “ <i>Additional Information</i> ”, “ <i>Freddie Mac</i> ” “ <i>Risk Factors — Governance and Regulation</i> ” and “ <i>Risk Factors — Risks Relating to Freddie Mac</i> ”.
<b>Indenture Trustee</b> .....	U.S. Bank National Association.
<b>Owner Trustee</b> .....	Wilmington Trust, National Association.
<b>Exchange Administrator</b> .....	U.S. Bank National Association.
<b>Investment Manager</b> .....	U.S. Bancorp Asset Management, Inc.
<b>Administrator</b> .....	Freddie Mac.
<b>Custodian</b> .....	U.S. Bank National Association.
<b>The Trust</b> .....	<p>The STACR Trust 2018-HRP1 will be established as a statutory trust under the laws of the State of Delaware. The activities of the Trust will be limited to: (i) entering into and performing its obligations under the Indenture, including issuing the Notes, (ii) acquiring Eligible Investments from time to time, (iii) entering into and performing its obligations under the Credit Protection Agreement, the Investment Management Agreement, the Administration Agreement and the Securities Account Control Agreement and (iv) engaging in such other activities, including entering into other agreements, that are necessary, suitable or convenient to accomplish the foregoing or are incidental thereto or connected therewith.</p> <p>The only Trust Assets will be (i) the Eligible Investments held from time to time, (ii) the rights of the Trust under the Credit Protection Agreement, (iii) the funds on deposit in the Custodian Account and Distribution Account from time to time and (iv) certain payments and distributions received in respect of the Eligible Investments and the Credit Protection Agreement.</p> <p>All of the Trust Assets, other than the Trust’s rights under the Credit Protection Agreement as described in clause (ii) in the immediately preceding paragraph, will be pledged to secure the payment of the Trust’s obligations under the Credit Protection Agreement.</p> <p>All amounts payable by the Trust in respect of the Notes and the Credit Protection Agreement will be paid solely from and to the extent of the available proceeds from the Trust Assets. See “<i>The Trust</i>.”</p>
<b>The Notes</b> .....	On the Closing Date, the Trust will issue the Notes pursuant to the Indenture.
<b>Original Notes</b> .....	The Class M-2A Notes, Class M-2B Notes, Class B-1 Notes and Class B-2 Notes.
<b>Exchangeable Notes and MAC Notes</b> .....	The Exchangeable Notes, in whole or in part, will be modifiable and combinable with the MAC Notes (and vice versa) and certain Classes of MAC Notes may be further exchanged for other Classes of MAC Notes, each as described in <u>Table 2</u> .
<b>Closing Date</b> .....	On or about May 21, 2018.
<b>Scheduled Maturity Date</b> .....	The Payment Date in May 2043.

<b>Record Date</b> .....	The Business Day immediately preceding a Payment Date, with respect to Book-Entry Notes, and the last Business Day of the month preceding a Payment Date, with respect to Definitive Notes.
<b>Use of Proceeds</b> .....	The Indenture Trustee will use the proceeds of the offering of the Notes to purchase Eligible Investments. The Indenture Trustee will use the earnings on and proceeds of the Eligible Investments to make Credit Protection Payments to us as well as to make any payments to the Noteholders with respect to principal and interest to the extent not paid by us in the form of Credit Premium Payments and Credit Protection Reimbursement Payments.
<b>Ratings of the Notes</b> .....	It is a condition to the issuance of the Notes that the Rated Notes receive the ratings set forth in <u>Table 1</u> from the Rating Agencies. The Class B Notes will not be rated by the Rating Agencies. The ratings of the Rated Notes will be subject to revision, withdrawal or suspension by the Rating Agencies from time to time and at any time. See “ <i>Ratings</i> ”.
<b>The Offering</b> .....	The Notes are being offered only to QIBs and will not be registered under the Securities Act or the securities laws of any state. See “ <i>Notice to Investors</i> ”.
<b>Transfer of the Notes</b> .....	Transfers of interests in the Notes will be subject to certain restrictions. See “ <i>Risk Factors — Lack of Liquidity</i> ”.
<b>Payments on the Notes</b> .....	<p>The Trust will be required to pay the Interest Payment Amount on the Notes in arrears on the twenty-fifth day of each calendar month, commencing in June 2018 and ending on the Maturity Date, or if any such day is not a Business Day, on the first Business Day thereafter. On each Payment Date, the Interest Payment Amount for one or more Classes of Notes may be reduced as a result of Modification Events that reduce the yield on the Reference Obligations. See “<i>Description of the Notes — Hypothetical Structure and Calculations with Respect to the Reference Tranches</i>”.</p> <p>On each Payment Date prior to the Maturity Date on which certain tests related to minimum credit enhancement for the Class A-H Reference Tranche and net losses and delinquencies for the Reference Pool are satisfied, the Trust will be required to pay principal on each Class of Original Notes (in each case without regard to any exchanges of Exchangeable Notes for MAC Notes) in an amount equal to the portion of the Senior Reduction Amount and/or Subordinate Reduction Amount, as applicable, allocated to reduce the Class Notional Amount of the corresponding Class of Reference Tranche on such Payment Date. If such tests are not satisfied, the Subordinate Reduction Amount will be zero and principal payments may not be made on the Notes. The amount of principal that is due on any Payment Date will reflect any Tranche Write-up Amounts and Tranche Write-down Amounts with respect to the related Reporting Period, as applicable. See “<i>Description of the Notes — Hypothetical Structure and Calculations with Respect to the Reference Tranches — Allocation of Senior Reduction Amount and Subordinate Reduction Amount</i>”.</p>

In addition, in connection with any Credit Event or Modification Event that results in any Tranche Write-down Amounts being allocated to any Class of Reference Tranche on a Payment Date, the Class Principal Balance of any corresponding Class of Notes will be reduced by such amount allocated thereto (without regard to any exchanges of Exchangeable Notes for MAC Notes). In addition, if any Tranche Write-down Amounts are allocated to a Class or Classes of Reference Tranches corresponding to a Class or Classes of Notes on any Payment Date, the Trust will owe us a Credit Protection Payment on such Payment Date equal to the aggregate amount of Tranche Write-down Amounts so allocated to reduce the Class Principal Balances of the Notes (without regard to any exchanges of Exchangeable Notes for MAC Notes). See “*Description of the Notes — Hypothetical Structure and Calculations with Respect to the Reference Tranches*”. Any such reduction in the Class Principal Balance of any outstanding Class of Notes will result in a lower amount of interest payable on such Class of Notes on subsequent Payment Dates. See “*Prepayment and Yield Considerations — Credit Events and Modification Events*”.

On the Maturity Date, the Trust will be required to pay the Class Principal Balance for each Class of Original Notes outstanding (without regard to any exchanges of Exchangeable Notes for MAC Notes). If on any Payment Date a Class of MAC Notes that is entitled to principal is outstanding, all principal amounts that are payable by the Trust on Exchangeable Notes that were exchanged for such MAC Notes (and subsequent exchanges thereof) will be allocated to, and paid to the Holders of, such MAC Notes in accordance with the exchange proportions applicable to the related Combination.

The Notes will be subject to mandatory redemption prior to the Scheduled Maturity Date upon the termination of the Credit Protection Agreement. The Notes will also be subject to acceleration at any time upon the occurrence of an Indenture Event of Default (see “*Description of the Notes — Scheduled Maturity Date and Early Redemption Date*” and “*The Agreements — The Indenture — Indenture Events of Default*”).

On each Payment Date on which the Trust is required to make a Credit Protection Payment under the Credit Protection Agreement, the Trust will allocate proceeds of Eligible Investments to such payment before allocating any proceeds of Eligible Investments to pay amounts owed on the Notes. See “*Status and Subordination*”.

## **Prepayment and Yield**

**Considerations** . . . . . The Class Principal Balance of any outstanding Class of Notes will be reduced to the extent of any Tranche Write-down Amounts that are allocated to reduce the Class Notional Amount of the corresponding Class of Reference Tranche. Any such reduction in principal will result in a corresponding reduction in the related Interest Payment Amount on subsequent Payment Dates.

The yield to maturity on the Notes (other than the Interest Only MAC Notes) will also be sensitive to changes in the rate of One-Month LIBOR.

Because the Reference Obligations can be prepaid at any time, it is not possible to predict the rate at which investors will receive payments of principal.

See “*Prepayment and Yield Considerations*”.

**Status and Subordination . . . . .** The Credit Protection Payments and the Notes will be limited recourse obligations of the Trust. On each Payment Date, a portion of the Eligible Investments will be liquidated in an amount necessary to pay the net Credit Protection Payment owed by the Trust to us, if any, and the amount of principal owed by the Trust on the Notes, if any. The proceeds of such liquidated Eligible Investments will be allocated to payment of the Credit Protection Payment before being allocated to payments on the Notes. Except as described in the *fifth* through *eighth* priorities under “*Description of the Notes — Hypothetical Structure and Calculations with Respect to the Reference Tranches — Allocation of Modification Loss Amounts*”, with respect to amounts allocated to the Notes on each Payment Date, the Class M-2A Notes will be senior in right of payment to the Class M-2B Notes, the Class M-2B Notes will be senior in right of payment to the Class B-1 Notes, and the Class B-1 Notes will be senior in right of payment to the Class B-2 Notes.

Pursuant to the Indenture, the Notes will be subject to (i) principal or notional amount write-downs as a result of Credit Events or Modification Events on the Reference Obligations and (ii) interest amount reductions as a result of Modification Events on the Reference Obligations. See “*Description of the Notes — Hypothetical Structure and Calculations with Respect to the Reference Tranches — Allocation of Modification Loss Amount*” and “*— Allocation of Modification Gain Amount*”; “*Description of the Notes — Interest*”; “*Description of the Notes — Hypothetical Structure and Calculations with Respect to the Reference Tranches — Allocation of Senior Reduction Amount and Subordinate Reduction Amount*”; “*Description of the Notes — Hypothetical Structure and Calculations with Respect to the Reference Tranches — Allocation of Tranche Write-down Amounts*”; and “*Description of the Notes — Hypothetical Structure and Calculations with Respect to the Reference Tranches — Allocation of Tranche Write-up Amounts*”.

**Eligible Investments . . . . .** The Trust will use the proceeds of the sale of the Notes to purchase Eligible Investments. From time to time, the Trust will acquire additional Eligible Investments with the proceeds realized upon the maturity or redemption or other prepayment of existing Eligible Investments. At the time of purchase, Eligible Investments are required to satisfy the criteria described in “*The Indenture — Eligible Investments*”. Eligible Investments are required to mature within 60 days of the date on which they were purchased. Unused proceeds received from the maturity of Eligible Investments will be reinvested in additional Eligible Investments as described herein.

**Credit Protection Agreement . . . . .** On the Closing Date, we will enter into the Credit Protection Agreement with the Trust pursuant to which the Trust will sell credit protection to us with respect to the Reference Pool. The Credit Protection Agreement will be documented on the standard form of

Multicurrency-Cross Border Master Agreement (1992) published by ISDA, as supplemented by a related Schedule and Confirmation. The 2014 ISDA Credit Derivatives Definitions will apply and will be incorporated into the Credit Protection Agreement by reference.

Under the Credit Protection Agreement, we will be required to pay to the Trust the applicable Credit Premium Payment and Credit Protection Reimbursement Payment, if any, on the Business Day prior to each Payment Date. See “*The Agreements — The Credit Protection Agreement — Credit Protection Agreement Payments*”.

Under the Credit Protection Agreement, the Trust will be required, subject to the satisfaction of certain conditions, to pay applicable Credit Protection Payments to us based on the Credit Events and Modification Events that occurred during the related Reporting Period. The Credit Protection Agreement will permit netting of the Credit Protection Payment owed to us by the Trust on any Payment Date against any Credit Premium Payment and Credit Protection Reimbursement Payment owed to the Trust by us on the Business Day immediately prior to such Payment Date. As a result, only one party (i.e., either the Trust or us) will actually make a payment to the other in any given calendar month. See “*The Agreements — The Credit Protection Agreement — Credit Protection Agreement Payments*”.

**Reference Pool** . . . . . The Credit Protection Agreement will reference the Reference Pool. The Reference Pool will consist of the Reference Obligations. The Reference Obligations are mortgage loans that were originated under our Relief Refinance Program, that we acquired between January 1, 2012 and March 31, 2013, that meet the Eligibility Criteria, including certain loan-to-value thresholds, and have no Underwriting Defects, Unconfirmed Underwriting Defects, Major Servicing Defects, Minor Servicing Defects or Unconfirmed Servicing Defects that were known to us as of April 3, 2018 or that were subsequently discovered through the Third-Party Diligence Provider’s due diligence review as described under “*The Reference Obligations — Third-Party Due Diligence Review*”. See “*Mortgage Loan Purchase and Servicing — Servicing Standards*” and “*—Quality Control Process*” in Annex A for a description of how Major Servicing Defects, Minor Servicing Defects and Underwriting Defects may be discovered through our quality control processes.

See Appendix A for additional information on the Reference Pool.

**Relief Refinance Program** . . . . . All of the Reference Obligations were originated in accordance with our Relief Refinance Program. A portion of the Relief Refinance Program represents our business implementation of HARP. The Relief Refinance Program provides broad market availability with options that help mortgagors who are making timely mortgage payments but have been unable to refinance due to declining property values.

The Relief Refinance Program was originally designed in 2009. In 2012, significant changes to the program were made. The 2012 changes were effective for mortgage loans with application dates on and after

December 1, 2011 and sold to us on and after January 3, 2012. 2,555 Reference Obligations were originated under the pre-2012 Relief Refinance Program. The remainder were originated after implementation of the program changes in 2012. To be eligible for the Relief Refinance Program, we must have owned or guaranteed the original refinanced mortgage loan, the mortgage loan being refinanced must have been originated on or before May 31, 2009, and the LTV ratio at the time of refinancing must have been greater than 80% for HARP mortgage loans or equal to or below 80% for non-HARP mortgage loans. Prior to the 2012 changes, the mortgagor had to be current on his/her original mortgage loan with no 30 or more day delinquencies in the last 12 months or if the mortgage loan was seasoned for less than 12 months, since the mortgage note date. After the 2012 changes, the mortgagor had to be current on his/her original mortgage loan with no 30 or more day delinquencies in the most recent 6 months and no more than one 30 or more day delinquency in the most recent 12 months, or if the mortgage loan was seasoned for less than 12 months, since the mortgage note date. If the original mortgage loan being refinanced was not required to have mortgage insurance coverage, the Relief Refinance Mortgage was not required to have mortgage insurance coverage. Prior to the 2012 changes, the Relief Refinance Program allowed the LTV ratio of fixed-rate Relief Refinance Mortgages to be up to 125%. After the 2012 changes, there was no maximum LTV ratio for fixed-rate Relief Refinance Mortgages.

**Notes Acquired by Us** . . . . . We may, from time to time, purchase or otherwise acquire some or all of any Class of Notes at any price or prices, in the open market or otherwise. Notes of any particular Class held or acquired by us will have an equal and proportionate benefit to Notes of the same Class held by other Holders, without preference, priority or distinction, except that in determining whether the Holders of the required percentage of the outstanding Class Principal Balance or Notional Principal Amount, as applicable, of the Notes have given any required demand, authorization, notice, consent or waiver under the Indenture, any Notes owned by us or any person directly or indirectly controlling or controlled by or under direct or indirect common control with us will be disregarded and deemed not to be outstanding for the purpose of such determination. See “*The Agreements — The Indenture — Indenture Events of Default*”. Any Notes that we hold will be held as investment and may be sold from time to time in our sole discretion.

**Legal Status** . . . . . The Notes will be issued by the Trust. The Notes will have limited recourse to the Trust Assets, subordinate to our claims under the Credit Protection Agreement and the Indenture. The Notes will be obligations (or interests in such obligations) of the Trust only. The MAC Notes represent interests in the Exchangeable Notes. **The United States does not guarantee the Notes or any interest or return of discount on the Notes. The Notes are not debts or obligations (or interests in debts or obligations) of us or the United States or any agency or instrumentality of the United States.**



**Certain Relationships and**

**Affiliations** . . . . . We are the Sponsor and Administrator and will be paying the Fees and Expenses of the Transaction Parties and the Trust. Further, we guarantee any PCs that are backed by Reference Obligations. Our obligations under such guarantees are not collateralized. These roles and our relationships with the related sellers and servicers may give rise to conflicts of interest as further described in this Memorandum under “*Risk Factors — The Interests of the Transaction Parties and Others May Conflict With and be Adverse to the Interests of the Noteholders — Our Interests May Not Be Aligned With the Interests of the Noteholders*”. Furthermore, as described in “*Risk Factors — The Interests of the Transaction Parties and Others May Conflict With and be Adverse to the Interests of the Noteholders — Potential Conflicts of Interest of the Initial Purchasers and their Affiliates*”, certain of the Initial Purchasers are affiliated with specified sellers and servicers of Reference Obligations and the aggregate unpaid principal balance of the Reference Obligations (as of the Cut-off Date) related to each such seller and servicer exceeded 1% of the Cut-off Date Balance of the Reference Pool. Prospective investors should be aware that other Initial Purchasers may be affiliated with sellers and/or servicers of Reference Obligations, but the aggregate unpaid principal balance of the Reference Obligations (as of the Cut-off Date) related to any such seller and/or servicer did not exceed 1% of the Cut-off Date Balance of the Reference Pool. See “*Risk Factors — The Interests of the Transaction Parties and Others May Conflict With and be Adverse to the Interests of the Noteholders — Potential Conflicts of Interest of the Owner Trustee*”.

**Interest** . . . . . Each Class of Notes will bear interest, and solely for purposes of calculating allocations of any Modification Gain Amounts or Modification Loss Amounts, the Class M-1H Reference Tranche will be deemed to bear interest calculated pursuant to the applicable Class Coupon formula shown in Table 1. The initial Class Coupons that will apply to the first Accrual Period are also set forth in Table 1. The Indenture Trustee will calculate the Class Coupon for the Notes or the Class M-1H Reference Tranche for each Accrual Period (after the first Accrual Period) on the applicable LIBOR Adjustment Date. The Indenture Trustee will determine One-Month LIBOR using the method described in the definition of One-Month LIBOR in the “*Glossary of Significant Terms*”. If ICE ceases to set or publish a rate for LIBOR and/or we determine that the customary method for determining LIBOR is no longer viable, we may elect to designate an alternative method or alternative index. In making an election to use any alternative method or index, we may take into account a variety of factors, including then-prevailing industry practices or other developments. We may also, for any period, apply an adjustment factor to any alternative method or index as we deem appropriate to better achieve comparability to the current index and other industry practices. See “*Description of the Notes — Interest*”.

Interest on the Notes will be payable monthly in arrears on each Payment Date commencing in June 2018. On any Payment Date, the Interest Payment Amount for one or more Classes of Notes may be reduced as a result of Modification Events during the related

Reporting Period that reduce the yield on the Reference Obligations. See “*Description of the Notes — Hypothetical Structure and Calculations with Respect to the Reference Tranches — Allocation of Modification Loss Amount*”.

## United States Federal Tax

### Consequences .....

The Trust will receive an opinion from Shearman & Sterling LLP that, although the tax characterizations are not free from doubt, Original Class M Notes, including Notes sold by virtue of a sale of related MAC Notes, will be characterized as indebtedness for U.S. federal income tax purposes, and the Class B Notes will be treated in part as a limited recourse guarantee contract and in part as an interest-bearing collateral arrangement to the extent of the principal balance of the Class B Notes for U.S. federal income tax purposes. The Trust, Freddie Mac and each Beneficial Owner of a Note, by acceptance of such Note, will agree to treat such Note in the manner described above unless a change in law or administrative practice requires a Note to be treated in some other manner. See “*Certain United States Federal Tax Consequences — Treatment of the Notes.*”

To the extent payments on the Class B Notes are treated as interest with respect to the interest-bearing collateral arrangement, such interest will be eligible for the portfolio interest exemption subject to certain exceptions and requirements. To the extent payments on the Class B Notes are treated as guarantee fees, Shearman & Sterling LLP is of the opinion that such payments generally will be foreign source for Non-U.S. Beneficial Owners that are not engaged in the conduct of a U.S. trade or business. Accordingly, Shearman & Sterling LLP is of the opinion that such payments will not be subject to U.S. withholding tax. Potential investors that are Non-U.S. Beneficial Owners should consult with their tax advisors. See “*Certain United States Federal Tax Consequences — Non-U.S. Beneficial Owners — Class B Notes.*”

In the opinion of Shearman & Sterling LLP, although the matter is not free from doubt, neither the Trust nor any portion thereof will be classified as an association taxable as a corporation, a publicly traded partnership taxable as a corporation or a taxable mortgage pool taxable as a corporation for U.S. federal income tax purposes. In addition, in the opinion of Shearman & Sterling LLP, the Trust will not be treated as engaged in the conduct of U.S. trade or business as a result of its contemplated activities. See “*Certain United States Federal Tax Consequences — Treatment of the Trust.*”

The MAC Notes represent interests in the Exchangeable Notes for U.S. federal income tax purposes. The MAC Pool will be classified as a grantor trust for U.S. federal income tax purposes. See “*Certain United States Federal Tax Consequences*” for additional information.

### Legal Investment .....

To the extent that the investment activities of investors are subject to investment laws and regulations, regulatory capital requirements or review by regulatory authorities, such investors may be subject to restrictions on investment in the Notes. Prospective investors should consult their legal, tax and accounting advisers for assistance in determining the suitability of and consequences to them of the purchase, ownership and sale of the Notes.

You should be aware that the Notes do not represent an interest in and are not secured by the Reference Pool or any Reference Obligation and that the Notes do not represent obligations of Freddie Mac.

The Notes will not constitute “mortgage related securities” for purposes of SMMEA.

See “*Legal Investment*” for additional information.

**ERISA Considerations . . . . .** Fiduciaries or other persons acting on behalf of or using the assets of (i) any employee benefit plan or arrangement, including an IRA, subject to ERISA, Section 4975 of the Code, or any Similar Law or (ii) an entity which is deemed to hold the assets of such Plan, should carefully review with their legal advisors whether the purchase or holding of a Note could give rise to a transaction prohibited or not otherwise permissible under ERISA, the Code or Similar Law.

Subject to the considerations and conditions described under “*Certain ERISA Considerations*”, it is expected that the Original Class M Notes and the MAC Notes may be acquired by Plans or persons acting on behalf of, using the assets of or deemed to hold the assets of a Plan. The Class B Notes may not be acquired or held by Plans or persons acting on behalf of, using the assets of or deemed to hold the assets of a Plan. See “*Certain ERISA Considerations*”.

**Investment Company Act . . . . .** The Trust has not registered and will not register with the SEC as an investment company under the Investment Company Act in reliance on Section 2(b) of the Investment Company Act. The Trust has been structured with the intent that it will not constitute a “covered fund” for purposes of the Volcker Rule. See “*Risk Factors — Investment Factors and Risks Related to the Notes — Risks Associated with the Investment Company Act*” and “*— Legal and Regulatory Provisions Affecting Investors Could Adversely Affect the Liquidity of the Notes, Which May Limit Investors’ Ability to Sell the Notes*”.

**Commodity Pool Operator . . . . .** We have not registered as a commodity pool operator with the CFTC in reliance on the No-Action Letter issued to us by the CFTC Division of Swap Dealer and Intermediary Oversight. Therefore, unlike a registered commodity pool operator that is operating a commodity pool without reliance on the No-Action Letter, we are not required to deliver a CFTC disclosure document to prospective investors, nor to provide investors with certified annual reports. It is our understanding that entities that invest in the Notes may, at the time of investment, treat the Notes as if they were issued by a pool whose operator has not registered with the CFTC as a commodity pool operator in reliance on the exemption from registration provided by CFTC Rule 4.13(a)(3) promulgated under the Commodity Exchange Act and for purposes of any fund-of-funds analysis that such entities conduct. See “*Risk Factors — Investment Factors and Risks Related to the Notes — Risks Associated with the Commodity Exchange Act*”. You should make your own determination, in consultation with your attorneys and other advisors, as to whether you should rely on the No-Action Letter provided to us for exemption from the commodity pool operator registration requirements under the Commodity Exchange Act and the regulations promulgated thereunder. A copy of the No-Action Letter is attached hereto as Appendix F. See “*Certain Considerations Under the Commodity Exchange Act*” and “*Risk Factors — Investment Factors and Risks Related to the Notes — Risks Associated with Compliance with the No-Action Letter*”.

## RISK FACTORS

### General

You should carefully consider the risk factors discussed below in conjunction with and in addition to the other information contained in this Memorandum before making an investment in the Notes. In particular, you should be aware that:

- The risks and uncertainties described below are not the only ones relating to the Notes. Additional risks and uncertainties not presently known or that are currently deemed immaterial also may impair an investment in the Notes. If any of the following risks actually occur, an investment in the Notes could be materially and adversely affected.
- The risks and uncertainties of the MAC Notes reflect the risks and uncertainties of the related Exchangeable Notes that may be exchanged for such MAC Notes. Accordingly, investors in the MAC Notes should consider the risks described herein with respect to the related Exchangeable Notes as if they were investing directly in such Exchangeable Notes.
- This Memorandum contains forward-looking statements that involve risks and uncertainties. Actual results could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the risks described below and elsewhere in this Memorandum.
- Each prospective investor is responsible for determining whether the Notes constitute a legal investment for such prospective investor.
- The Notes will not constitute “mortgage related securities” for purposes of SMMEA, and the Notes may be regarded as high-risk, derivative, risk-linked or otherwise complex securities. The Notes should not be purchased by prospective investors who are prohibited from acquiring securities having the foregoing characteristics.
- The Notes are not suitable investments for all prospective investors. The Notes are complex financial instruments. Because the Notes are linked to the Reference Pool and certain of the Reference Tranches established pursuant to the hypothetical structure described in “*Transaction Overview*”, you should not purchase any Note unless you or your financial advisors possess the necessary expertise to analyze the potential risks associated with an investment in mortgage securities.
- You should not purchase any Notes unless you understand, and are able to bear, the prepayment, credit, liquidity, market and other risks associated with the Notes.
- You should not construe the issuance of the Notes as an endorsement of the Notes or the performance of the Reference Obligations or the Eligible Investments by any of the Issuer, us, the Initial Purchasers, the Indenture Trustee, the Owner Trustee, any of their respective affiliates or any other person.
- Principal and interest payments on the Notes will be subordinated to the Issuer’s obligations to pay us under the Credit Protection Agreement.
- With respect to any Payment Date, income earned on Eligible Investments is expected to be less than the amounts needed to pay interest on the Notes, and if we fail to pay the Credit Premium Payment under the Credit Protection Agreement, the Issuer, as a result, may be unable to pay the entire amount of interest payable on the Notes.
- If we fail to pay the Credit Protection Reimbursement Payment due on any Payment Date, there may be insufficient funds available to pay principal then due on the Notes.
- There can be no assurance that losses will not occur on any Eligible Investments, and the Noteholders may be exposed to the risk of loss on the Eligible Investments, to the extent that we fail to cover such losses by making a Credit Premium Payment when due. In addition, there will be no issuer concentration limits on the amount of Eligible Investments that may be invested in a single Eligible Investment.

- The Notes will be obligations of the Issuer only and will be payable without recourse to the Issuer except to the extent of the Collateral, which the Issuer will pledge on the Closing Date to the Indenture Trustee for the benefit of the Protected Party and the Noteholders.
- The Notes will not be obligations of or interests in Freddie Mac or its affiliates, will not be insured or guaranteed by any governmental agency or other person and will not be covered by any reserve fund upon the insolvency or receivership of the Issuer or Freddie Mac.
- The Notes neither will represent an interest in nor will be secured by the Reference Obligations, and the Notes will not represent a participation or other interest in the Reference Obligations. Accordingly, prospective investors should not look to the Reference Obligations as a source of payments on the Notes.
- If a CPA Early Termination Date is designated, the Notes will be subject to early redemption on the corresponding Early Redemption Date. In such event, the outstanding Notes will be redeemed from amounts then available in the Distribution Account on such Early Redemption Date. For the avoidance of doubt, no termination payments will be made that reflect the mark-to-market value of the Credit Protection Agreement upon an early termination of the Credit Protection Agreement. Accordingly, Holders of Notes that were purchased at a premium or Holders of Interest-Only MAC Notes may not recover their investments in such Notes if an early redemption occurs.
- No mark-to-market termination payment will be payable by either us or the Trust on a CPA Early Termination Date.

## **Risks Associated with the Credit Protection Agreement**

### ***Credit of Freddie Mac***

The receipt by Holders of interest and principal payments on their Notes will be dependent on the Trust's timely receipt of payments from, and therefore the credit of, Freddie Mac. The United States does not guarantee the Notes or any interest or return of discount on the Notes. The Notes are not debts or obligations (or interests in debts or obligations) of us or the United States or any agency or instrumentality of the United States.

### ***Risks Associated with an Early Termination of the Credit Protection Agreement***

Under the terms of the Credit Protection Agreement, no amounts (other than any Credit Premium Payment, Credit Protection Payment or Credit Protection Reimbursement Payment that becomes due and payable on or before the CPA Early Termination Date, in each case, together with interest thereon) will be payable by either the Trust or us in connection with the early termination of the Credit Protection Agreement. As a result, investors in the Notes will not benefit from any improvements in the credit profile of the Reference Pool (and corresponding improvements in the market value of the Credit Protection Agreement) in connection with the early termination of the Credit Protection Agreement.

Further, if the credit risk profile of the Reference Pool were to deteriorate so that the Protected Party was "in the money" under the Credit Protection Agreement—meaning that the expected value of the payments from the Trust to the Protected Party exceeded the expected value of the payments from the Protected Party to the Trust—it is possible that a conservator or receiver on the Protected Party's behalf would object to the termination of the Credit Protection Agreement without a termination payment from the Trust to the Protected Party that reflected the anticipated cost to the Protected Party of obtaining replacement credit protection (which cost may be referred to as the market value). It is typical for swaps such as the Credit Protection Agreement to be closed out at early termination with a payment to the counterparty that is in the money, even if that party is the one that defaulted under the swap. A conservator or receiver for the Protected Party might assert that any termination provision that did not include such a termination payment was unenforceable under applicable insolvency law. If such a claim were successful, the Trust could be required to make a payment to the Protected Party in connection with the termination of the Credit Protection Agreement in an amount equal to the market value of the Credit Protection Agreement as of the CPA Early Termination Date, which could result in losses to the Holders of the Notes.



The Credit Protection Agreement permits, but does not require, the non-defaulting party (in the case of an event of default under the Credit Protection Agreement), either party (in the case of an Illegality), the Burdened Party (in the case of a Tax Event Upon Merger), any Affected Party (in the case of a Tax Event or a CPA Additional Termination Event in respect of which there is more than one Affected Party) or the party which is not the Affected Party (in the case of a CPA Additional Termination Event in respect of which there is only one Affected Party) to terminate the Credit Protection Agreement upon the occurrence of an event of default under the Credit Protection Agreement or a CPA Early Termination Event. With respect to a CPA Additional Termination Event resulting from the occurrence of an acceleration of the maturity of the Notes in accordance with the Indenture, there are two Affected Parties. Accordingly, we and/or the Trust will be entitled to designate a CPA Early Termination Date with respect thereto. However, with respect to every other CPA Additional Termination Event, the Trust is the only Affected Party and accordingly, we (and not the Trust) will be the only party entitled to designate a CPA Early Termination Date with respect thereto. See *“The Agreements — The Credit Protection Agreement — CPA Scheduled Termination Date and CPA Early Termination Date”*. The Noteholders are not a party to the Credit Protection Agreement and may direct the Indenture Trustee to act or refrain from taking action only pursuant to the terms of the Indenture. Under the Indenture, Noteholders do not have the authority to accelerate the maturity of the Notes or direct the Indenture Trustee to take action unless and until an Indenture Event of Default occurs. However, if an Indenture Event of Default occurs and is continuing and the Notes have been declared due and payable and such declaration and the consequences of such Indenture Event of Default and acceleration have not been rescinded and annulled, the Holders of a majority of the aggregate outstanding Class Principal Balance of the Original Notes (without giving effect to exchanges) may direct the Indenture Trustee to designate a CPA Early Termination Date in accordance with the Credit Protection Agreement. See *“The Agreements — The Indenture — Indenture Events of Default — Remedies; Liquidation of Collateral”*, *“The Agreements — The Indenture — Application of Proceeds”* and *“The Agreements — The Credit Protection Agreement — CPA Scheduled Termination Date and CPA Early Termination Date”*.

## **Risks Relating to the Notes Being Linked to the Reference Pool**

### ***The Notes Bear the Risk of Credit Events and Modification Events on the Reference Pool***

The Notes are not backed by the Reference Obligations and payments on the Reference Obligations will not be available to make payments on the Notes. However, each Class of Notes will have credit exposure to the Reference Obligations, and the performance of and yield to maturity on the Notes will be affected by the amount and timing of Credit Events and Modification Events on the Reference Obligations (and the severity of losses realized with respect thereto). See *“Description of the Notes — Hypothetical Structure and Calculations with Respect to the Reference Tranches”*.

A Credit Event or Modification Event in respect of a Reference Obligation may occur due to one or more of a wide variety of factors, including a decline in real estate values, and adverse changes in the related mortgagor’s financial condition and the related mortgagor’s employment. A decline in real estate values or economic conditions nationally or in the regions where the related Mortgaged Properties are concentrated may increase the risk of Credit Events and Modification Events on the Reference Obligations (as well as the severity of the losses realized with respect thereto). In addition, Reference Obligations secured by second homes and investment properties may have a higher risk of being subject to a Credit Event or Modification Event than those secured by primary residences.

Following a Credit Event or Modification Event with respect to a Reference Obligation that results in a Tranche Write-down Amount for the related Payment Date, pursuant to the hypothetical structure, such Tranche Write-down Amount will be applied to reduce the Class Notional Amount of the most subordinate Class of Reference Tranche that still has a Class Notional Amount greater than zero. Because each Class of Notes corresponds to a related Class of Reference Tranche, any Tranche Write-down Amount allocated to a Class of Reference Tranche pursuant to the hypothetical structure will result in a corresponding reduction in the Class Principal Balance or Notional Principal Amount, as applicable, of the corresponding Class of Notes and any related MAC Notes (including any Class of MAC Notes that has been further exchanged for other Classes of MAC Notes pursuant to an applicable Combination). Any such reductions in Class Principal Balance or Notional Principal Amount, as applicable, may result in a loss of all or a portion of an investor’s investment in the Notes.



See “*Description of the Notes — Hypothetical Structure and Calculations with Respect to the Reference Tranches — Allocation of Tranche Write-down Amounts*”.

Similarly, because each Class of Notes corresponds to a related Class of Reference Tranche, following a Modification Event, the Modification Loss Amount, if any, allocated to a Class of Reference Tranche pursuant to the hypothetical structure will result in a reduction in the Interest Payment Amount and/or a reduction in the Class Principal Balance or Notional Principal Amount, as applicable, of the corresponding Class of Notes and any related MAC Notes (including any Class of MAC Notes that has been further exchanged for other Classes of MAC Notes pursuant to an applicable Combination). It should be noted that the Class M-2A Notes and any related MAC Notes will be allocated Modification Loss Amounts to reduce their Interest Payment Amounts immediately after the allocation of Modification Loss Amounts to reduce the Interest Payment Amount of the Class M-2B Notes and any related MAC Notes and before the allocation of such Modification Loss Amounts to reduce the Class Principal Balance of the Class M-2B Notes and any related MAC Notes in the form of Tranche Write-down Amounts. “*Description of the Notes — Hypothetical Structure and Calculations with Respect to the Reference Tranches — Allocation of Modification Loss Amount*.”

***Holders of Notes Have No Rights or Remedies With Respect to the Reference Obligations***

Under the Credit Protection Agreement, the Trust will have a contractual relationship only with us and not with any mortgagor. No Reference Obligation will constitute a part of the property of the Trust and Holders will have no right to vote or exercise any other right or remedy with respect to a Reference Obligation or any mortgagor’s obligations thereunder and will have no legal or equitable interest therein.

***Delay in Liquidation; Liquidation Proceeds May Be Less Than Mortgage Balance***

Substantial delays in distributions of principal on the Notes could be encountered in connection with the liquidation of delinquent Reference Obligations. Delays in foreclosure proceedings may ensue in certain states resulting in increased volumes of delinquent mortgage loans. Further, reimbursement for servicing advances (which for this purpose, does not include advances of delinquent interest) made by the seller/servicers and liquidation expenses such as legal fees, real estate taxes and maintenance and preservation expenses will reduce Net Liquidation Proceeds resulting in greater losses being allocated to the Notes.

***The Timing of Credit Events and Modification Events (and the Severity of Losses Realized with Respect Thereto) May Adversely Affect Returns on the Notes; a Seller/Servicer Effecting a Repurchase of Reference Obligations on a Timely Basis May Adversely Affect Returns on Notes***

The timing of Tranche Write-down Amounts and the allocation of Modification Loss Amounts and the severity of losses realized with respect thereto, in each case may adversely affect the return earned on the Notes. The timing of the occurrence of Credit Events and Modification Events may significantly affect the actual yield on the Notes, even if the average rate of Credit Event occurrences and Modification Event occurrences are consistent with your expectations. In general, the earlier the occurrence of Credit Events and Modification Events, the greater the effect on your yield to maturity. The timing of Tranche Write-down Amounts and the allocation of Modification Loss Amounts could be affected by one or more of a wide variety of factors, including the creditworthiness of the related mortgagor, the related mortgagor’s willingness and ability to continue to make payments, and the timing of market economic developments, as well as legislation, legal actions or programs that allow for the modification of mortgage loans or for mortgagors to obtain relief through bankruptcy or other avenues.

The timing of Tranche Write-up Amounts will also affect the yield on the Notes. In the process of confirming whether an Unconfirmed Underwriting Defect will become an Underwriting Defect, or similarly, confirming whether an Unconfirmed Servicing Defect will become a Major Servicing Defect or Minor Servicing Defect, whether a seller or servicer effects a repurchase of, or the amount of time it may take to repurchase, a Reference Obligation will affect the rate at which Tranche Write-up Amounts are allocated to increase the Class Notional Amounts of the Reference Tranches. The process for determining whether a Reference Obligation has an Unconfirmed Underwriting Defect, Underwriting Defect, Unconfirmed Servicing Defect, Minor Servicing Defect or Major Servicing Defect will be at our discretion and may require the applicable seller or servicer to

repurchase such Reference Obligation or agree with us to an alternative remedy (e.g., indemnification). This process may be time-consuming and could result in delays in allocating, or ultimately result in no allocation of, Tranche Write-up Amounts.

We may have interests in determining whether to pursue remedies for Unconfirmed Underwriting Defects or Unconfirmed Servicing Defects that may conflict with your interests. Any Tranche Write-down Amounts allocated to reduce the Class Notional Amount of a Class of Reference Tranche will result in a corresponding reduction in the Class Principal Balance of the corresponding Class of Notes, which will result in a reduction in the interest paid on those Notes. Therefore, the timing of Tranche Write-down Amounts, as well as the overall amount of such Tranche Write-down Amounts, will affect your return on the Notes. In addition, to the extent that the Class Principal Balance of a Class of Notes is written down due to the allocation of Tranche Write-down Amounts, the interest that accrues on such Class of Notes will be lower than if such Notes had not been written down. It should be noted that if in the future the Class Principal Balance of such Class or Classes of Notes is written up due to the allocation of Tranche Write-up Amounts, the Holders of such Notes will not be entitled to the interest that would have accrued had such write-downs not occurred. Credit Events may ultimately be reversed, which will result in Tranche Write-up Amounts that write up the Class Notional Amounts of the Reference Tranches. During the period in which Tranche Write-down Amounts have been allocated, prior to any reversal of Credit Events, the Notes will have lost accrued interest on the Class Principal Balance that was so written down due to the allocation of such Tranche Write-down Amounts for the period of time during which the Credit Event existed and was not reversed. See “— *Investment Factors and Risks Related to the Notes — Significant Write-downs of the Notes That are Subsequently Subject to Write-ups Will Result in Lost Accrued Interest*” below. Similarly, any Modification Loss Amounts allocated to any Class of Reference Tranche will result in a corresponding reduction of the Interest Payment Amount of the corresponding Class of Notes. Therefore, the timing of the allocation of Modification Loss Amounts, as well as the overall amount of such Modification Loss Amounts, will affect the return on the Notes.

Further, to the extent that Credit Events occur and are later reversed resulting in the allocation of Tranche Write-up Amounts to write up the Class Notional Amounts of the Reference Tranches, during the period in which the Tranche Write-up Amounts had not yet occurred, the Minimum Credit Enhancement Test, the Cumulative Net Loss Test and the Delinquency Test may not be satisfied due to such Credit Events. As a result, any principal collections on the Reference Obligations that may otherwise have been allocated to any subordinate Class of Reference Tranches during such period will instead be allocated to the Class A-H Reference Tranche, thereby reducing the amount of principal that will be paid to the Noteholders during such period.

***The Issuer Relies on us for Credit Premium Payments, Credit Protection Reimbursement Payments and Reimbursement of Expenses***

With respect to each Payment Date, the earnings on the Eligible Investments for such Payment Date are expected to be less than the Interest Payment Amount for such Payment Date. The Credit Premium Payments under the Credit Protection Agreement are intended to fund, in addition to principal losses, if any, on Eligible Investments, the difference between the Interest Payment Amounts payable by the Issuer in respect of the Notes and the earnings on the Eligible Investments. See also “*Risks Related to Eligible Investments — Noteholders Are Exposed to the Value of the Underlying Assets of the Relevant Eligible Investments*”. Accordingly, in the event we fail to pay any Credit Premium Payments to the Issuer when due under the Credit Protection Agreement, whether because of our creditworthiness or otherwise, the Issuer would be unable to make full payments of interest on the Notes on the related Payment Date. Subject to notice and expiration of a 30-day cure period, our failure to pay the full amount of Credit Premium Payments due and payable under the Credit Protection Agreement will entitle the Trust to designate a CPA Early Termination Date which, in turn, will result in a redemption of the Notes prior to the Scheduled Maturity Date. See “*The Agreements — The Credit Protection Agreement — CPA Scheduled Termination Date and CPA Early Termination Date*”.

The Issuer’s source of funds for repayment of the outstanding Class Principal Balances of the Notes will be limited to the proceeds of the liquidation of the Eligible Investments and any Credit Premium Payments and Credit Protection Reimbursement Payments we are required to make under the Credit Protection Agreement. Consequently, in the event that we fail to make the Credit Premium Payments and Credit Protection Reimbursement Payments required by the Credit Protection Agreement, you will be exposed to changes in the

market value of the Eligible Investments. There can be no assurance that there will be no default with respect to payments on the Eligible Investments or mark to market declines in the value of Eligible Investments. However, the Credit Premium Payments are intended to make the Issuer whole for investment and trading losses realized, in the aggregate, on the Eligible Investments. Accordingly, in the event we fail to pay any Credit Premium Payments to the Issuer when due under the Credit Protection Agreement, whether because of our creditworthiness or otherwise, the Issuer could be unable to make full payments of principal on the Notes on the related Payment Date. Subject to notice and expiration of a 30-day cure period, our failure to pay the full amount of Credit Premium Payments due and payable under the Credit Protection Agreement will entitle the Trust to designate a CPA Early Termination Date which, in turn, will result in a redemption of the Notes prior to the Scheduled Maturity Date. See “*The Agreements — The Credit Protection Agreement — CPA Scheduled Payment Date and CPA Early Payment Date*”.

The Credit Protection Agreement will require us to reimburse the Issuer for certain events that result in a Tranche Write-up Amount being allocated to increase the Class Principal Balance of a Class of Notes. In the event we fail to pay any Credit Protection Reimbursement Payment to the Issuer when due, whether because of our creditworthiness or otherwise, the Issuer would be unable to make full payment of principal on the Notes. Subject to notice and expiration of a 30-day cure period, our failure to pay the full amount of any Credit Protection Reimbursement Payment when due and payable under the Credit Protection Agreement will entitle the Trust to designate a CPA Early Termination Date under the Credit Protection Agreement which, in turn, will result in a redemption of the Notes prior to the Scheduled Maturity Date. See “*The Agreements — The Credit Protection Agreement — Credit Protection Agreement Payments*”.

In addition, the Administration Agreement will require us to reimburse the Issuer for Expenses. Our failure to pay Expenses for any reason, whether because of our creditworthiness, the application of the relevant Expense Cap or otherwise, will result in the Issuer’s inability to pay its operating expenses. Subject to notice and expiration of a 30-day cure period, our failure to pay the full amount of such Expenses (up to the amount of the relevant Expense Cap) when due under the Administration Agreement will constitute an event of default under the Administration Agreement, however, application of the relevant Expense Cap will not constitute an event of default under the Administration Agreement.

***Our Limited Review of a Sample of a Small Percentage of the Reference Obligations May Not Reveal All Aspects Which Could Lead to Increases in the Principal Loss Amounts and Modification Loss Amounts Allocated to the Notes***

We have undertaken certain limited loan review procedures with respect to various aspects of a sample of a small percentage of the Reference Obligations, including a review of the underwriting of certain of the Reference Obligations conducted by each seller and verification of certain aspects of the Reference Obligations. See “*Mortgage Loan Purchase and Servicing — Quality Control Process — Performing Loan Quality Control Review*” and “*— Limitations of the Quality Control Review Process*” in Annex A. This review was not conducted specifically in connection with the Reference Pool, but with respect to a sample of all our mortgage loans in the normal course of our quality control process. During the course of this review, certain of the Reference Obligations were included in the sample that was reviewed. In conducting these review procedures, we relied on information and resources available to us. These review procedures were intended to discover certain material discrepancies and possible Underwriting Defects in the sample of the mortgage loans (including the sampled Reference Obligations) reviewed. However, these procedures did not constitute a re-underwriting of the mortgage loans (including the sampled Reference Obligations), and were not designed or intended to discover every possible defect and may not be consistent with the type and scope of review that any individual investor would deem appropriate. In addition, to the extent that the limited review conducted revealed factors that could affect how the Reference Obligations may perform, we may have incorrectly assessed the potential significance of the discrepancies that we identified or Unconfirmed Underwriting Defects that we failed to identify. There can be no assurance that any review process conducted uncovered relevant facts that could be indicative of how the reviewed Reference Obligations will perform. In addition, because our review was not conducted specifically in connection with the Reference Pool, but with respect to a sample of all of our mortgage loans in the normal course of our quality control process, we cannot assure you that the error rates we found in the course of our review are applicable to the Reference Pool. Investors should note that we undertook this limited loan file review

with respect to only a sample of the Reference Obligations and did not undertake any loan file review for the remaining Reference Obligations. The selection of the mortgage loans that were reviewed was made by us and not by any independent third party.

Furthermore, in our limited review we did not review the sampled Reference Obligations to ensure that the originators abided by federal, state and local laws and regulations, such as consumer protection laws, in originating the loans, other than certain laws where we may face legal liability for the originators' noncompliance. We rely on representations and warranties from our sellers that the Reference Obligations have been originated and are being serviced in compliance with all applicable federal, state and local laws and regulations and on federal regulatory agencies that are responsible for enforcing laws that protect mortgagors in this regard. If a Credit Event or Modification Event occurs with respect to a Reference Obligation and we perform a review of such Reference Obligation, we do not have procedures in place to review the Reference Obligation to determine whether an Underwriting Defect exists with respect to such Reference Obligation as a result of a breach of the representation and warranty concerning compliance with all applicable federal, state and local laws and regulations. You should note that to the extent a Credit Event or Modification Event with respect to a Reference Obligation occurs and the Reference Obligation does not comply with all applicable laws, we may not discover a breach related thereto.

***Our Limited Review of a Sample of a Small Percentage of the Reference Obligations Covers Only Some of the Defects Which Could Lead to Credit Events or Modification Events and Would Not Detect All Potentially Relevant Defects***

Mortgage loan and mortgage security credit risk is influenced by various factors, including, primarily, the credit profile of the mortgagor (e.g., Credit Score, credit history and monthly income relative to debt payments), documentation level, the number of mortgagors, the features of the mortgage itself, the purpose of the mortgage, occupancy type, the type of property securing the mortgage, the LTV and local and regional economic conditions, including home prices and unemployment rates. Our limited review of the Reference Obligations addresses only some of these factors. Importantly, it does not address economic conditions, unemployment rates or other factors that in the past have had, and in the future could have, a material adverse effect on the value of the Reference Obligations and the Notes. You should note that this limited review of the Reference Obligations by us only covers some of the defects which could lead to Credit Events or Modification Events.

***Our Quality Control and Quality Assurance Processes Are Not Designed to Protect Noteholders***

As part of our on-going quality control, we undertake quality control reviews and quality assurance reviews of small samples of the mortgage loans that sellers deliver to us. These processes are intended to determine, among other things, the accuracy of the representations and warranties made by the sellers in respect of the mortgage loans that are sold to us. While you may benefit from our quality control and quality assurance processes to the extent that any Unconfirmed Underwriting Defect identified ultimately becomes an Underwriting Defect resulting in a Tranche Write-up Amount, our processes are not designed or intended to protect Noteholders. We have ultimate discretion to determine whether or not to pursue the remediation of any Unconfirmed Underwriting Defects identified through our quality control and quality assurance processes and have no express obligation to do so. Any benefit that you may derive from the information associated with our quality control and quality assurance processes should be weighed against the fact that the mortgage loans subject to our monthly review may or may not mirror the loans that are in the Initial Cohort Pool. You are encouraged to make your own determination as to the extent to which you place reliance on the limited quality control and quality assurance processes we undertake. Additionally, we may at any time change our quality control and quality assurance processes in a manner that is detrimental to the Noteholders. See “*Mortgage Loan Purchase and Servicing — Quality Control Process*” in Annex A.

***Our Review of Reference Obligations That Become Credit Event Reference Obligations May Not Result in Reversed Credit Event Reference Obligations***

We may, in our sole discretion, examine through our non-performing loan quality control process, Credit Event Reference Obligations. See “*Mortgage Loan Purchase and Servicing — Quality Control Process — Non-Performing Loan Quality Control Review*” in Annex A. If we decide to review a Credit Event Reference



Obligation, and if we determine through our non-performing loan quality control process that a Credit Event Reference Obligation has an Unconfirmed Underwriting Defect or Unconfirmed Servicing Defect, Principal Balance Notes that previously had their Class Principal Balances reduced as a result of being allocated Tranche Write-down Amounts may be entitled to have their Class Principal Balances increased to the extent of any resulting Tranche Write-up Amounts that are allocated to the applicable Class of Notes, as described under “*Description of the Notes — Hypothetical Structure and Calculations with Respect to the Reference Tranches — Allocation of Tranche Write-up Amounts*”. It is possible, however, that Credit Event Reference Obligations with certain underwriting or servicing defects may still go undetected despite being subjected to such non-performing loan quality control review. Moreover, in the event we discover an Unconfirmed Underwriting Defect or Unconfirmed Servicing Defect, we will have the sole discretion to determine (i) whether any finding is deemed to be material, and (ii) upon concluding that a finding is material, whether to require the seller or servicer to repurchase the related Reference Obligation, whether to enter into a repurchase settlement in respect of the related Reference Obligation, and if so, for how much, or whether to waive the seller’s or servicer’s requirement to repurchase the related Reference Obligation.

It should be noted that we do not differentiate between the Credit Event Reference Obligations and mortgage loans that are not in the Reference Pool in pursuing remedies. Because we have discretion to review Credit Event Reference Obligations, investors should note that Reference Obligations with certain underwriting or servicing defects may not be discovered. In addition, even if we determine that an Unconfirmed Underwriting Defect or Unconfirmed Servicing Defect exists with respect to a Reference Obligation, we cannot assure you that the related seller or servicer will ultimately repurchase or be able to repurchase such Reference Obligation or that they will agree with us on an alternative remedy (e.g., indemnification), which may result in such Reference Obligation not being reclassified as having an Underwriting Defect, Major Servicing Defect or Minor Servicing Defect. Investors in the Notes are encouraged to make their own determination as to the extent to which they place reliance on our loan review procedures.

***Limited Scope and Size of the Third-Party Diligence Provider’s Review of the Reference Obligations May Not Reveal Aspects of the Reference Obligations Which Could Lead to Credit Events or Modification Events***

In connection with the offering of the Notes, we engaged the Third-Party Diligence Provider to undertake certain limited loan review procedures with respect to various aspects of a very limited number of Reference Obligations (500 by loan count, which is approximately 0.31% of the Reference Pool), but not for the remaining Reference Obligations. The Third-Party Diligence Provider was limited to selecting its sample for review from the Available Sample. The Available Sample was comprised of (i) mortgage loans that were previously selected for review by us as part of our Random Sample QC Selection, as described under “*The Reference Obligations — Results of Freddie Mac Quality Control*”, and (ii) any additional mortgage loans that were subsequently subjected to the Targeted Sample QC Review. The 500 loans were selected randomly rather than on a targeted basis. As a result, the 500 loan random sample may be of more limited use than a targeted sample for identifying errors with respect to loans that may have a higher propensity for default. Had the 500 loan sample been selected on a targeted basis, the results may have been different and potentially may have had a higher error rate than the error rate we found on our Random Sample QC Selection. The review was performed on a small sample selected from a group of mortgage loans that did not include all of the mortgage loans included in the Reference Pool. As a result, the mortgage loans that were not included in the review may have characteristics that were not discovered, noted or analyzed as part of the Third-Party Diligence Provider’s review that could, nonetheless, result in those mortgage loans experiencing Credit Events or Modification Events in the future. Additionally, our own credit related quality control process revealed an error rate of approximately 2.2%. Accordingly, if the error rate on the entire Initial Cohort Pool is also 2.2% and such errors or discrepancies increase the likelihood of a Credit Event or Modification Event, then you may fail to recover your initial investment in the Notes. You are encouraged to make your own determination as to value of the due diligence undertaken by the Third-Party Diligence Provider, the extent to which the characteristics of the Reference Pool can be extrapolated from the error rate and the extent to which you believe that errors and discrepancies found during the various loan reviews described herein may indicate an increased likelihood of Credit Events (and an increased likelihood of Credit Event Net Losses) or Modification Events (and an increased likelihood of principal write-downs and/or interest reduction amounts on the Notes).

The procedures undertaken by the Third-Party Diligence Provider included, among others, a review of the underwriting of certain of the Reference Obligations conducted by the related originators and verification of certain aspects of the Reference Obligations. The Reference Obligations have limited underwriting because they were originated under the Relief Refinance Program. See “— *Mortgage Loans Originated under Our Relief Refinance Program Have Limited Underwriting*”. Moreover, the review was not intended to be a re-underwriting of the mortgage loans and was in many ways substantially more limited than the scope of review undertaken as part of diligence on other recently issued residential mortgage loan securitization transactions. Specifically, the review scope was limited to the scope that we undertake in our internal quality control process. In conducting these review procedures, the Third-Party Diligence Provider relied on information and resources available to it (which were limited and which, in most cases, were not independently verified). These review procedures were intended to discover certain material discrepancies and possible material defects in the Reference Obligations reviewed. However, these procedures did not constitute a re-underwriting of the Reference Obligations, and were not designed or intended to discover every possible discrepancy or defect. In addition, the Third-Party Diligence Provider conducted procedures designed by us to sample our data regarding characteristics of the Reference Obligations, which data was used to generate the numerical information about the Reference Pool included in this Memorandum. In connection with such data review, the Third-Party Diligence Provider identified certain discrepancies with respect to approximately 1.7% of the mortgage loans (by loan count) that were so reviewed, as described under “*The Reference Obligations — Third-Party Due Diligence Review — Data Integrity Review*”, which discrepancies are individually identified in Appendix B. Further, because we did not update the mortgage loan data tape to correct these discrepancies, the numerical disclosure in this Memorandum does not reflect a correction to any of these discrepancies with respect to the related Reference Obligations. Further, in connection with the compliance review, the Third-Party Diligence Provider identified no discrepancies with respect to the mortgage loans that were so reviewed. There can be no assurance that any review process conducted uncovered all relevant facts that could be determinative of how the reviewed Reference Obligations will perform.

You are encouraged to make your own determination as to the extent to which you place reliance on our limited review procedures and those of the Third-Party Diligence Provider.

See “*The Reference Obligations — Third-Party Due Diligence Review*”.

***Underwriting Standards Used by Many of Our Sellers May be Less Stringent than Required by Our Guide***

As described under “*Mortgage Loan Purchase and Servicing — Underwriting Standards*” in Annex A, many sellers have negotiated contracts with us that enable such sellers to sell mortgage loans to us under TOBs that vary from, and may be less stringent than, the terms of our Guide. Mortgage loans originated pursuant to TOBs that are less stringent than the underwriting standards in our Guide, which for Relief Refinance Mortgages are limited as compared to the underwriting standards for mortgage loans refinanced outside of the Relief Refinance Program, may experience a higher rate of Credit Events and Modification Events (and greater losses realized with respect thereto) than mortgage loans originated in accordance with the Guide. See “— *Mortgage Loans Originated under Our Relief Refinance Program Have Limited Underwriting*”. Many of the Reference Obligations have been originated pursuant to TOBs that are less stringent than the underwriting standards set forth in the Guide, which may result in such Reference Obligations experiencing a higher rate of Credit Events and Modification Events (and greater losses realized with respect thereto) than the Reference Obligations originated in accordance with the Guide. You should also be aware that certain of the original refinanced mortgage loans included as Relief Refinance Mortgages in the Reference Pool may have been originated under certain programs that allowed for limited underwriting, including no documentation or low documentation. This Memorandum does not contain any information about such programs. We cannot determine how the underwriting guidelines for the original refinanced mortgage loan may impact the current credit risk attributes of the Reference Obligations. In addition, because the TOBs vary by seller, the performance of the Reference Obligations across the Reference Pool may not be uniform or consistent, which may adversely affect the Notes.



***A Recurrence of Turbulence in the Residential Mortgage Market and/or Financial Markets and/or Lack of Liquidity for Mortgage-Related Securities May Adversely Affect the Performance and Market Value of the Notes***

The single-family housing market has improved by many measures compared to the period of 2005 through 2015. However, a recurrence of turbulence in the residential mortgage market and/or financial markets and/or lack of liquidity for mortgage-related securities may adversely affect the performance and market value of the Notes. Prior to 2016, there was a significant inventory of seriously delinquent loans and REO properties in the market. The serious delinquency rate of our single-family loans declined during that time period, but the serious delinquency rate of the loans originated from 2005 through 2008 that we acquired remains high compared to similar rates for the loans we acquired in years prior to 2005 due to weakness in home prices in the last several years, higher unemployment in some areas, extended foreclosure timelines and continued challenges faced by servicers in processing problem loans, including adjusting their processes to accommodate changes in servicing standards, such as those dictated by legislative or regulatory authorities. Residential loan performance has been generally worse in areas with higher unemployment rates and where declines in property values have been more significant during recent years. In its National Delinquency Survey, the Mortgage Bankers Association presents delinquency rates both for mortgages it classifies as subprime and for mortgages it classifies as prime conventional. The delinquency rates of subprime mortgages are markedly higher than those of prime conventional loan products in the Mortgage Bankers Association survey; however, the delinquency experience in prime conventional mortgage loans originated during the years 2005 through 2008 has been significantly worse than in any year since the 1930s. A recurrence of these past problems could adversely affect the performance and market value of the Notes.

Market and economic conditions during the past several years have caused significant disruption in the credit markets. Continued concerns about the availability and cost of credit, the U.S. mortgage market, some real estate markets in the U.S., economic conditions in the U.S. and Europe and the systemic impact of inflation or deflation, energy costs and geopolitical issues have contributed to increased market volatility and diminished expectations for the U.S. economy. Increased market uncertainty and instability in both U.S. and international capital and credit markets, combined with declines in business and consumer confidence and increased unemployment, have contributed to volatility in domestic and international markets.

During the recession, losses on all types of residential mortgage loans increased due to declines in residential real estate values, resulting in reduced home equity. Although home prices since 2014 have shown greater stability and increased in some geographic areas, there can be no assurance that a decline will not resume and continue for an indefinite period of time in the future. A decline in property values or the failure of property values to increase where the outstanding balances of the mortgage loans and any secondary financing on the related mortgaged properties are close to or in excess of the value of the mortgaged properties may result in higher delinquencies, foreclosures and losses. Any decline in real estate values may be more severe for mortgage loans secured by high cost properties than those secured by low cost properties. Declining property values may create an oversupply of homes on the market, which may increase negative home equity. Nationwide home price appreciation rates generally were negative from late 2007 through 2012, and this trend may recur at any time. Higher LTV ratios generally result in lower recoveries on foreclosure, and an increase in loss severities above those that would have been realized had property values remained the same or continued to appreciate.

There is particular uncertainty about the prospects for growth in the U.S. economy. A number of factors influence the potential uncertainty, including, but not limited to, unemployment rates, rising government debt levels, prospective Federal Reserve policy shifts, the withdrawal of government interventions into the financial markets, changing U.S. consumer spending patterns, and changing expectations for inflation and deflation. Income growth and unemployment levels affect mortgagors' ability to repay mortgage loans, and there is risk that economic activity could be weaker than anticipated. See "*Governance and Regulation*" below when considering the impact of regulation on Noteholders. Continued concerns about the economic conditions in the United States, China and Europe, including downgrades of the long-term debt ratings of the Eurozone nations and the United States, generally have contributed to increased market volatility and diminished growth expectations for the U.S. economy.

In addition, on June 23, 2016, the United Kingdom voted to exit the Eurozone. On March 29, 2017, Article 50 of the Lisbon Treaty was invoked which began a two year negotiation period between the United Kingdom and the European Council for the United Kingdom's exit from the Eurozone. This vote and the triggering of Article 50 resulted in volatility and disruption of the capital and credit markets in the United Kingdom and the Eurozone. In addition, the political, legal and regulatory uncertainty surrounding the exit by the United Kingdom, currently scheduled for March 19, 2019 (unless extended by all 28 European Union members), has raised concerns as to the economic stability of the United Kingdom and the viability of the Eurozone. The United Kingdom's exit from the Eurozone could significantly impact volatility, liquidity and/or the market value of securities, including the Notes. An investment in the Notes should only be made by investors who understand such risks and are capable of bearing such risks.

Subsequent to the financial crisis and, over the past decade, the Federal Reserve has adopted an easing stance in monetary policy referred to as "quantitative easing". For example, buying mortgage-backed securities and cutting interest rates, which are intended to lower the cost of borrowing, result in higher investment activity which, in turn, stimulates the economy. Based on the stabilization of unemployment, as well as the increase in home prices, the Federal Reserve began to reduce the quantitative easing and in October 2014 announced the end of the quantitative easing program. This may have a negative impact on the Reference Obligations. On March 21, 2018, the Federal Reserve increased its benchmark interest rate for the sixth time since the financial crisis. To the extent that interest rates continue to rise as a result of the Federal Reserve's action, the availability of refinancing alternatives for the Reference Obligations may be reduced. In addition, on September 20, 2017, the Federal Reserve announced plans to begin shrinking its balance sheet "beginning in October 2017," which would have the effect of removing recession era support of the U.S. residential mortgage market. The economic conditions experienced from 2007 to 2014 were unique and unprecedented in terms of the level of home price declines, as well as the subsequent government intervention. There can be no assurance that the factors that caused such financial crisis (or any other factors) will have similar effects on the mortgage market in the future.

As a result of market conditions and other factors, the cost and availability of credit has been and may in the future continue to be adversely affected by illiquid credit markets and wider credit spreads. Concern about the stability of the markets and the creditworthiness of counterparties has led many lenders and institutional investors to reduce, and in some cases cease, lending to certain mortgagors. Continued turbulence in the U.S. and international markets and economies may negatively affect the U.S. housing market and the credit performance and market value of residential mortgage loans.

In addition, the difficult economic environment and rate of unemployment and other factors (which may or may not affect real property values) may affect the mortgagors' timely payment of scheduled payments of principal and interest on the Reference Obligations and, accordingly, may increase the occurrence of delinquencies, Credit Events and Modification Events (and possibly the severity of losses realized with respect thereto) with respect to the Reference Obligations and adversely affect the amount of Liquidation Proceeds realized in connection with certain Credit Events. Further, the time periods to resolve defaulted mortgage loans may be long, and those periods may be further extended because of mortgagor bankruptcies, related litigation and any federal and state legislative, regulatory and/or administrative actions or investigations.

Further, the secondary market for mortgage-related securities is experiencing extremely limited liquidity. These conditions may continue or worsen in the future. Limited liquidity in the secondary market for mortgage-related securities could adversely affect a Noteholder's ability to sell the Notes or the price such Noteholder receives for the Notes and may continue to have a severe adverse effect on the market value of mortgage-related securities, especially those that are more sensitive to prepayment or credit risk.

These factors and general market conditions, together with the limited amount of credit enhancement (as further described in this Memorandum), could adversely affect the performance and market value of the Notes and result in a full or partial loss of your initial principal investment. See "*Prepayment and Yield Considerations — Yield Considerations with Respect to the Notes*". There can be no assurance that governmental intervention or other actions or events will improve these conditions in the near future.

***Appraisals or Other Assessments May Not Accurately Reflect the Value of the Mortgaged Property; Loan-to-Value Ratios May Be Calculated Based on Appraised Value or Other Assessments, Which May Not Be an Accurate Reflection of Current Market Value***

At the time of origination of the Reference Obligations, property values may have been obtained using valuation methods other than new appraisals. In some cases, we did not require a new appraisal but instead allowed the originator to establish the value of the property using HVE. In other cases, a seller made a representation and warranty that the value of the property had not declined since the appraisal had been obtained in connection with the origination of the original mortgage loan that was being refinanced.

In general, appraisals or other property valuations represent the analysis and opinion of the person performing the appraisal or the valuation provider at the time the appraisal or other property valuation is prepared and are not guarantees of, and may not be indicative of, present or future value. We cannot assure you that another person would not have arrived at a different valuation, even if such person used the same general approach to and same method of valuing the property, or that different valuations would not have been reached by any originator based on its internal review of such appraisals.

The appraisals or other property valuations obtained in connection with the origination of the Reference Obligations sought to establish the amount a typically motivated buyer would pay a typically motivated seller at the time they were prepared. Such amount could be significantly higher than the amount obtained from the sale of a related mortgaged property under a distressed or liquidation sale. In addition, in certain real estate markets property values may have declined since the time the appraisals or other property valuations were obtained, and therefore the appraisals or other property valuations may not be an accurate reflection of the current market value of the related mortgaged properties. The Reference Obligations were originated on or after July 1, 2011 through March 31, 2013 and the appraisals or other property valuations were generally prepared at the time of origination. The current market value of the related mortgaged properties could be lower, and in some cases significantly lower, than the values indicated in the appraisals or other property valuations obtained at the origination of the Reference Obligations and included in the original loan-to-value ratios reflected in this Memorandum.

Because appraisals or other property valuations may not accurately reflect the value or condition of the related mortgaged property and because property values may have declined since the time appraisals or other property valuations were obtained, the original LTVs and the original combined LTVs that are disclosed in this Memorandum may be lower, in some cases significantly lower, than the LTVs that would be determined if current values of the related mortgaged properties were used to determine LTVs. Investors are encouraged to make their own determination as to the degree of reliance they place on the original LTVs and the original combined LTVs that are disclosed in this Memorandum.

***Estimated Loan-to-Value Ratios May Not Reflect the Actual Value of the Mortgaged Properties***

The non-zero weighted-average ELTV ratio for the Reference Obligations was produced using the ELTV of each Reference Obligation as of the Cut-off Date if an ELTV of such Reference Obligation could be obtained. No ELTV was obtained for approximately 22.62% of the Reference Obligations by Cut-off Date Balance, and therefore, the non-zero weighted average ELTV of the Reference Obligations does not include any ELTV with respect to such Reference Obligations. As of the Cut-off Date, the non-zero weighted average ELTV ratio for the Reference Obligations with an available ELTV was approximately 75.23%. Reference Obligations with high LTV ratios leave the related mortgagor with little, no or negative equity in the related mortgaged property, which may result in increased delinquencies by mortgagors. The ELTV ratios for the Reference Obligations are based on valuations of the related mortgaged properties, which we obtained using HVE. Investors should note, however, that using a valuation of the mortgaged property from (i) a different AVM, (ii) an appraisal based on a physical inspection of the property or (iii) an arm's length sale of the mortgaged property could result in a higher or lower value for the property than the results from HVE.

Volatility in the residential real estate market, availability of mortgage credit and the unemployment rate, as well as other negative trends, may have the effect of reducing the values of the mortgaged properties from the updated ELTV ratios described above. A reduction in the values of the mortgaged properties may reduce the

likelihood that Liquidation Proceeds or other proceeds will be sufficient to pay off the related Reference Obligations fully.

***Credit Scores May Not Accurately Predict the Likelihood of Default***

Each originator generally uses Credit Scores as part of its origination and/or underwriting process. See “Mortgage Loan Purchase and Servicing — Underwriting Standards — Use of Credit Scoring” in Annex A. Credit Scores are generated by models developed by third-party credit reporting organizations that analyze data on consumers in order to establish patterns which are believed to be indicative of a mortgagor’s probability of default. A Credit Score represents an opinion of the related credit reporting organization of a mortgagor’s creditworthiness. The Credit Score is based on a mortgagor’s historical credit data, including, among other things, payment history, delinquencies on accounts, levels of outstanding indebtedness, length of credit history, types of credit and bankruptcy experience. Credit Scores range from approximately 300 to approximately 850, with higher scores indicating an individual with a more favorable credit history compared to an individual with a lower score. A Credit Score purports only to be a measurement of the relative degree of risk a mortgagor represents to a lender, i.e., that a mortgagor with a higher score is statistically expected to be less likely to default in payment than a mortgagor with a lower score. In addition, it should be noted that Credit Scores were developed to indicate a level of default probability over a two-year period, which does not correspond to the life of most mortgage loans. Furthermore, Credit Scores were not developed specifically for use in connection with mortgage loans, but for consumer loans in general. Therefore, Credit Scores do not address particular mortgage loan characteristics that influence the probability of repayment by the mortgagor. We do not make any representation or warranty as to any mortgagor’s current Credit Score or the actual performance of any Reference Obligation, or that a particular Credit Score should be relied upon as a basis for an expectation that a mortgagor will repay the related Reference Obligation according to its terms.

***Residential Real Estate Values May Fluctuate and Adversely Affect the Notes***

No assurance can be given that values of the mortgaged properties have remained or will remain at their levels on the dates of origination of the Reference Obligations. If the residential real estate market should experience an overall decline in property values so that the outstanding balances of the Reference Obligations, and any secondary financing on the mortgaged properties, become equal to or greater than the value of the mortgaged properties, the actual rates of delinquencies, foreclosures and losses could be higher than expected. The Reference Obligations with relatively higher LTV ratios will be particularly affected by any decline in real estate values. Any decline in real estate values may be more severe for Reference Obligations secured by high cost properties than those secured by low cost properties. Any decrease in the value of Reference Obligations may result in (i) Tranche Write-down Amounts that are allocable to the Notes to the extent Credit Events or Modification Events occur with respect to such Reference Obligations or (ii) interest reduction amounts on the Notes to the extent Modification Events occur with respect to such Reference Obligations.

The United States previously went through a recession with a large number of mortgage loan delinquencies and defaults, resulting in a large number of foreclosure properties being placed on the market, and losses realized by owners of mortgage loans, including securitization trusts. Some of these problems may still exist with respect to the level of foreclosure properties and undercollateralized mortgage loans. Although economic indicators show that the United States has emerged from the recent recession and recent unemployment data show that unemployment is decreasing, losses on mortgage loans may rise, or may return to high levels, as a result of factors such as the recurrence of high unemployment rates, high levels of foreclosures and large inventories of unsold properties. Investors in the Notes should note that the ratings of the Notes are not a guaranty of the value of the mortgaged properties related to the Reference Obligations and Noteholders may incur losses regardless of the ratings.

***Reduced Lending Capacities and/or Increases in Mortgage Interest Rates May Hinder Refinancing and Increase Risk of Credit Events and Modification Events on the Reference Obligations***

Since 2006, a number of originators and servicers of residential mortgage loans have experienced serious financial difficulties and, in some cases, have gone out of business. These difficulties have resulted, in part, from declining markets for their mortgage loans as well as from claims for repurchases of mortgage loans previously

sold under provisions that require repurchase in the event of early payment defaults or for breaches of representations and warranties regarding loan quality and characteristics. Many originators with large servicing portfolios have experienced rising costs of servicing as mortgage loan delinquencies have increased, without a compensating increase in servicing compensation. Moreover, mortgage interest rates have been at historical lows for several years. Mortgage rates have recently increased such that many Reference Obligations have interest rates below current mortgage rates. On March 21, 2018, the Federal Reserve increased its benchmark interest rate for the sixth time since the financial crisis. Furthermore, interest rates may continue to increase over time. Such further increase in interest rates, as well as reduced availability of affordable mortgage products, may result in slower prepayments on, and an adverse performance of, the Reference Obligations. Such performance may differ from historical performance. Additionally, efforts to impose stricter mortgage qualifications for mortgagors or reduce the presence of Freddie Mac or Fannie Mae could lead to fewer alternatives for mortgagors.

The CFPB published a rule implementing Sections 1411 and 1412 of the Dodd-Frank Act, which generally requires creditors to make a reasonable, good faith determination of a consumer's ability to repay any consumer credit transaction secured by a dwelling and establishes certain protection from liability under this requirement for qualified mortgages. The rule defines "qualified mortgage" and became effective on January 10, 2014. The rule extends "temporary qualified mortgage" status to certain loans eligible for sale to Freddie Mac or Fannie Mae, originated prior to the earlier of January 10, 2021 or the end of their conservatorship. The rule, future changes to the rule, and/or the expiration of its temporary qualified mortgage provision, may result in a reduction in the availability of loans in the future that do not meet the criteria of a qualified mortgage as outlined in the rule and may adversely affect the ability of mortgagors to refinance the Reference Obligations. No assurances are given as to the effect of the rule on the value of your Notes.

These trends may reduce alternatives for mortgagors seeking to refinance their mortgage loans. The reduced availability of refinancing options for mortgagors may result in higher rates of delinquencies, Credit Events and Modification Events (and losses realized with respect thereto) on the Reference Obligations.

***The Rate and Timing of Principal Payment Collections on the Reference Obligations Will Affect the Yield on the Notes***

The rate and timing of payments of principal and the yield to maturity on the Notes will be related to the rate and timing of collections of principal payments on the Reference Obligations and the amount and timing of Credit Events and Modification Events that result in losses being realized with respect thereto. Mortgagors are permitted to prepay their Reference Obligations, in whole or in part, at any time, without penalty.

The principal payment characteristics of the Notes have been designed so that the Notes generally amortize based on the collections of principal payments on the Reference Obligations. Each Class of Notes corresponds to the applicable Mezzanine or Junior Reference Tranche, which will not be allocated Stated Principal for the applicable Payment Date unless each of the Minimum Credit Enhancement Test, the Cumulative Net Loss Test and the Delinquency Test are satisfied for the related Payment Date as described under "*Description of the Notes — Hypothetical Structure and Calculations with Respect to Reference Tranches — Allocation of Senior Reduction Amount and Subordinate Reduction Amount*". Unlike securities in a senior/subordinate private label residential mortgage-backed securitization, the principal payments required to be paid to the Original Notes (and any related MAC Notes entitled to principal payments) will be based in part on principal collections received on the Reference Obligations, rather than on scheduled payments due on the Reference Obligations, as described under "*Description of the Notes — Hypothetical Structure and Calculations with Respect to the Reference Tranches — Allocation of Senior Reduction Amount and Subordinate Reduction Amount*". In other words, to the extent that there is a delinquent mortgagor who misses a payment (or makes only a partial scheduled payment) on a Reference Obligation, principal payments to the Original Notes (and any related MAC Notes entitled to principal payments) will not be based on the amount that was due on such Reference Obligation, but, rather, will be based in part on the principal collected on such Reference Obligation. Additionally, the Original Notes (and any related MAC Notes entitled to principal payments) will only receive Stated Principal upon the satisfaction of the Minimum Credit Enhancement Test, the Cumulative Net Loss Test and the Delinquency Test for the related Payment Date, as described under "*Description of the Notes — Hypothetical Structure and Calculations with Respect to the Reference Tranches — Allocation of Senior Reduction Amount and Subordinate Reduction Amount*". You should make your own determination as to the effect of these features on the Notes.



The rate and timing of principal payments (including prepayments) on mortgage loans is influenced by a variety of economic, geographic, social and other factors, but may depend greatly on the level of mortgage interest rates:

- If prevailing interest rates for similar mortgage loans fall below the interest rates on the Reference Obligations, the rate of principal prepayments would generally be expected to increase due to refinancings.
- Conversely, if prevailing interest rates for similar mortgage loans rise above the interest rates on the Reference Obligations, the rate of principal prepayments would generally be expected to decrease.

The rate and timing of principal payments on the Reference Obligations will also be affected by the following:

- the amortization schedules of the Reference Obligations,
- the rate and timing of partial prepayments and full prepayments by mortgagors, due to refinancing, certain job transfers, changes in property value or other factors,
- liquidations of, or modifications resulting in the reduction of the principal balance of, Reference Obligations,
- the time it takes for defaulted Reference Obligations to be modified or liquidated,
- the availability of loan modifications for delinquent or defaulted Reference Obligations, and
- the rate and timing of payment in full of Reference Obligations or other removals from the Reference Pool.

In addition, the occurrence of Credit Events and Reference Pool Removals could have the same effect on the Reference Pool as prepayments in full. As such, (i) the rate and timing of Credit Events (and any reversals thereof) and Modification Events, (ii) the severity of any losses with respect thereto and (iii) Reference Pool Removals, may also affect the yield on the Notes.

Mortgage originators make general solicitations for refinancings. Any such solicited refinancings may result in a rate of principal prepayments that is higher than you might otherwise expect.

No representation is made as to the rate of principal payments, including principal prepayments, on the Reference Obligations or as to the yield to maturity of any Class of Notes. In addition, there can be no assurance that any of the Reference Obligations will or will not be prepaid prior to their maturity. You are urged to make an investment decision with respect to any Class of Notes based on the anticipated yield to maturity of that Class of Notes resulting from its purchase price and your own determination as to anticipated Reference Obligation prepayment under a variety of scenarios. The extent to which the Notes are purchased at a discount or a premium and the degree to which the timing of payments on the Notes is sensitive to prepayments will determine the extent to which the yield to maturity of the Notes may vary from the anticipated yield.

If you purchase the Notes at a discount, you should consider the risk that if principal payments on the Reference Obligations occur at a rate slower than you expected, your yield will be lower than expected. If you purchase the Notes at a premium, you should consider the risk that if principal payments on the Reference Obligations occur at a rate faster than you expected, your yield will be lower than expected and you may not even recover your investment in the Notes. If you purchase the Interest Only MAC Notes, you should consider the risk that if principal payments allocated to the related Class of Exchangeable Notes occur at a fast rate, you may not even recover your investments in such MAC Notes. The timing of changes in the rate of prepayments may significantly affect the actual yield to you, even if the average rate of principal prepayments is consistent with your expectations. In general, the earlier the payment of principal of the Reference Obligations, the greater the effect on your yield to maturity. As a result, the effect on your yield due to principal prepayments occurring at a rate higher (or lower) than the rate anticipated during the period immediately following the issuance of the Notes may not be offset by a subsequent like reduction (or increase) in the rate of principal prepayments. See *“Summary of Terms — Prepayment and Yield Considerations”* and *“Prepayment and Yield Considerations”*.



For a more detailed discussion of these factors, see “*Prepayment and Yield Considerations*” and “*The Reference Obligations*”.

***We Do Not Re-Underwrite the Mortgage Loans We Acquire, Which May Adversely Affect the Performance of the Reference Obligations***

We do not originate any mortgage loans, including the Reference Obligations. As described under “*Mortgage Loan Purchase and Servicing*” in Annex A, we acquire mortgage loans, including the Reference Obligations, from approved sellers pursuant to our contracts with such sellers. We do not re-underwrite the mortgage loans that we acquire and we have not done so with respect to the Reference Obligations, other than with respect to a very small percentage of mortgage loans or Reference Obligations that we may have reviewed as part of our quality assurance review, as described under “*Mortgage Loan Purchase and Servicing — Quality Control Process — Quality Assurance*” in Annex A. We depend on the sellers’ compliance with their contracts with us and rely on the sellers’ representations and warranties to us that the mortgage loans being sold satisfy the underwriting standards and other requirements specified in the sellers’ contracts with us. We generally do not independently verify compliance by the sellers with respect to their representations and warranties and, other than with respect to any Reference Obligations that we may have reviewed under our quality control process described in this Memorandum, we have not done so with respect to the Reference Obligations. See “*Mortgage Loan Purchase and Servicing — Quality Control Process — Performing Loan Quality Control Review*” and “*— Limitations of the Quality Control Review Process*” in Annex A. As a result, it is possible that if sellers have not complied with their obligations under their contracts with us that certain Reference Obligations may have Unconfirmed Underwriting Defects of which we are not aware. Reference Obligations with Underwriting Defects are likely to experience Credit Events and Modification Events (and losses realized with respect thereto) at a higher rate than Reference Obligations without such defects, which could result in (i) Tranche Write-down Amounts being allocated to reduce Class Notional Amounts of Reference Tranches and the Class Principal Balances of the corresponding Notes (to the extent Credit Events and Modification Events occur with respect to such Reference Obligations that result in losses being realized with respect thereto) and (ii) reductions in the Interest Payment Amounts paid on the Notes (to the extent Modification Events occur with respect to such Reference Obligations that result in losses being realized with respect thereto). Additionally, we do not independently verify the loan-level information and data reported or furnished to us by the sellers and servicers of the mortgage loans. Discrepancies in the loan-level information and data may come to our attention from sellers, servicers, vendors retained by us, third parties or through our quality control processes.

***Mortgage Loans Originated under our Relief Refinance Program Have Limited Underwriting***

The Reference Obligations were originated under our Relief Refinance Program, which includes Relief Refinance Mortgages — Same Servicer and Relief Refinance Mortgages — Open Access. The underwriting requirements for Relief Refinance Mortgages — Same Servicer were streamlined, in that a mortgagor could be deemed in certain cases to be creditworthy based on the payment history of the mortgage loan being refinanced and not based on the underwriting criteria generally required for underwriting mortgage loans, such as credit scores, income, debt payment-to-income ratio or reserves. Unlike Relief Refinance Mortgages — Same Servicer, Relief Refinance Mortgages — Open Access were evaluated using our proprietary system Loan Prospector, which is currently known as Loan Product Advisor<sup>SM</sup>. Relief Refinance Mortgages — Open Access were reviewed using LP, and LP produced eligibility and underwriting feedback messages upon such reviews. Based on the LP evaluation, mortgages loans designated with an “LP Caution” risk class must have been manually underwritten and have met additional Guide eligibility requirements.

While the underwriting for Relief Refinance Mortgages — Open Access was not as streamlined as the underwriting for Relief Refinance Mortgages — Same Servicer, the underwriting of these mortgage loans was still limited as compared to the underwriting for mortgage loans refinanced outside of the Relief Refinance Program. Investors should be aware that since the Reference Obligations were originated with limited underwriting, such Reference Obligations may experience a higher risk of Credit Events and Modification Events (and greater losses realized with respect thereto). This may adversely affect the Notes, including with respect to the rate and severity of Tranche Write-down Amounts being allocated to reduce their Class Principal Balances.

***The Performance of the Reference Obligations Could be Dependent on the Servicers***

The performance of the servicers servicing the Reference Obligations could have an impact on the amount and timing of principal collections on the related Reference Obligations and the rate and timing of the occurrence Credit Events or Modification Events (and the severity of losses realized with respect thereto). As described under “*Mortgage Loan Purchase and Servicing — Servicing Standards*” in Annex A, servicers are generally required to service the Reference Obligations in accordance with applicable law and the terms of our Guide, subject to any variation directed by us and, in some instances, agreed to by us and the individual servicers. The servicers are only servicing for our benefit and have no duties or obligations to service for your benefit. We are the master servicer of the Reference Obligations and generally monitor the performance of the servicers, although we have no such duty to monitor the servicers’ performance for your benefit. We cannot assure you that any monitoring of the servicers that we may undertake will be sufficient to determine material compliance by the servicers of their contractual obligations owed to us. The Reference Obligations will be serviced by many different servicers, and the individual performance of servicers will vary. As a result, the performance of the Reference Obligations may similarly vary, which may adversely affect the Notes. For example, the servicing practices of each servicer could have an impact on the timing and amount of unscheduled principal payments allocated to any Reference Obligation, which as a result will have an impact on the timing of principal payments made on the Notes. In addition, the servicing practices could impact the Net Liquidation Proceeds we receive and therefore result in an increase in Tranche Write-down Amounts allocated to the Reference Tranches (and their corresponding Classes of Notes). You should note that with respect to any Reference Obligation that is removed from the Reference Pool due to it becoming a Credit Event Reference Obligation, if we subsequently discover that the applicable servicer breached any of its servicing obligations to us with respect to such Reference Obligation we may ultimately recover from such servicer indemnification or make-whole payments or compensatory fees in respect thereof or the servicer may repurchase the Reference Obligation from us. A Tranche Write-up Amount will only be allocated to the Reference Tranches (and their corresponding Notes) to the extent we determine the existence of an Underwriting Defect or a Major Servicing Defect and only if we realized prior losses on that Reference Obligation.

You should note that if a servicer fails to service the Reference Obligations in accordance with our standards, we have certain contractual remedies, including the ability to require such servicer to pay us compensatory or other fees. Under no circumstances will you receive the benefit of the payment of compensatory fees or similar fees to us nor will the payment of such fees to us result in a Principal Recovery Amount being allocated to the Notes.

***Servicers May Not Follow the Requirements of Our Guide or TOBs, and Servicing Standards May Change Periodically***

As described under “*Mortgage Loan Purchase and Servicing — Servicing Standards*” in Annex A, some of our servicers have negotiated contracts with us that enable such servicers to service mortgage loans for us under TOBs that vary from the terms of our Guide. Some of the Reference Obligations are being serviced pursuant to TOBs that have different requirements than the servicing standards set forth in the Guide. There is a risk that servicers will not follow the Guide or the terms of the TOBs, which may result in such Reference Obligations experiencing a higher rate of Credit Events and Modification Events than if the Reference Obligations had been serviced in accordance with the Guide or TOBs, as applicable. Also, in the normal course of our business we may make periodic changes to the servicing provisions of the Guide and may negotiate new TOBs with our servicers. Any such future changes or additional TOBs will become applicable to the servicing of the Reference Obligations at such future time. In each case, we are under no obligation to consider the impact these changes or negotiations may have on the Reference Obligations or the Notes and cannot assure you that any future changes will not have an adverse impact on the Reference Obligations and the Notes.

***Statutory and Judicial Limitations on Foreclosure Procedures May Delay Recovery in Respect of the Mortgaged Properties and, in Some Instances, Limit the Amount That May Be Recovered by the Servicers, Resulting in Losses on the Reference Obligations That Might Be Allocated to the Notes***

Foreclosure procedures may vary from state to state. Two primary methods of foreclosing a mortgage instrument are judicial foreclosure, involving court proceedings, and non-judicial foreclosure pursuant to a power

of sale granted in the mortgage instrument. A foreclosure action is subject to most of the delays and expenses of other lawsuits if defenses are raised or counterclaims are asserted. Delays may also result from difficulties in locating necessary defendants. Non-judicial foreclosures may be subject to delays resulting from state laws mandating the recording of notice of default and notice of sale and, in some states, notice to any party having an interest of record in the real property, including junior lienholders. Some states have adopted “anti-deficiency” statutes that limit the ability of a creditor to collect the full amount owed on a mortgage loan if the property sells at foreclosure for less than the full amount owed. In addition, United States courts have traditionally imposed general equitable principles to limit the remedies available to creditors in foreclosure actions that are perceived by the court as harsh or unfair. The effect of these statutes and judicial principles may be to delay and/or reduce distributions in respect of the Notes. See *“Certain Legal Aspects of the Reference Obligations — Foreclosure”*.

***Stricter Enforcement of Foreclosure Rules and Documentation Requirements May Cause Delays and Increase the Risk of Loss***

Since the financial crisis began in 2008, some courts and administrative agencies have been enforcing rules regarding the conduct of foreclosures more strictly and, in some circumstances, have imposed new rules regarding foreclosures. Some courts have delayed or prohibited foreclosures based on alleged failures to comply with technical requirements. State legislatures have been enacting new laws regarding foreclosure procedures. In some cases, law enforcement personnel have been refusing to enforce foreclosure judgments. At least one county is reported to be refusing to allow foreclosure sales to be conducted on the courthouse steps. In addition, mortgagors have brought legal actions, or have filed for bankruptcy, to attempt to block or delay foreclosures. As a result, the servicers for the Reference Obligations may be subject to delays in conducting foreclosures and the expense of foreclosures may increase, resulting in delays or reductions in payments on the Notes.

Some mortgagors have been successful in challenging or delaying foreclosures based on technical grounds, including challenges based on alleged defects in the mortgage loan documents and challenges based on alleged defects in the documents under which the mortgage loans were securitized. In a number of cases, such challenges have delayed or prevented foreclosures. It is possible that there will be an increase in the number of successful challenges to foreclosures by mortgagors. Curing defective documents required to conduct a foreclosure will cause delays and increase costs, resulting in losses on the Reference Obligations which may have an adverse effect on the Notes. Further, servicing rules promulgated by the CFPB, which took effect on January 10, 2014 and which have been revised and amended in August 2016, require servicers to, among other things, exhaust all feasible loss mitigation options, such as those we make available to the mortgagors, before proceeding with foreclosures, which will have the effect of delaying foreclosures of Reference Obligations in certain instances.

***Insurance Related to the Mortgaged Properties May Not Be Sufficient to Compensate for Losses***

Although the mortgaged properties may be covered by insurance policies, such as hazard insurance or flood insurance, no assurance can be made that the proceeds from such policies will be used to repay any amounts owed in respect of such Reference Obligations or will be used to make improvements to the mortgaged properties that have values that are commensurate with the value of any of the damaged improvements. In addition, even though an insurance policy may cover the “replacement cost” of the improvements on any mortgaged property, the proceeds of such insurance policy may not be sufficient to cover the actual replacement cost of such improvements or the appraised value of the improvements on any mortgaged property. No assurance can be given that the insurer related to any such hazard or flood insurance policy will have sufficient financial resources to make any payment on any such insurance policy or that any such insurer will not challenge any claim made with respect to any such insurance policy resulting in a delay or reduction of the ultimate insurance proceeds which could have a material adverse effect on the performance of the Notes. Furthermore, to the extent any mortgaged property becomes an unoccupied REO property, with such vacancy verified by a property condition certificate, we may, but are not obligated to, acquire third-party hazard insurance on such properties. To the extent a mortgaged property related to a Reference Obligation becomes an REO property, uninsured hazards on such REO property could result in lower Net Liquidation Proceeds upon the liquidation of such Reference Obligation and the realization of greater losses on such Reference Obligation.

***Mortgage Loans Without Mortgage Insurance Policies Will Not Have the Benefit of Any Mortgage Insurance Credit Amounts to Cover Losses***

As of the Cut-off Date, approximately 79.19% of the Reference Obligations by Cut-off Date Balance, do not have the benefit of mortgage insurance. Pursuant to the Guide, each mortgage loan with an original LTV ratio that is greater than 80% is required to have a mortgage insurance policy in place when sold to us, except in limited circumstances, including but not limited to (i) Relief Refinance Mortgages with LTV ratios greater than 80% for which the original mortgage loan being refinanced was not required to have mortgage insurance coverage, (ii) when we have obtained an alternative credit enhancement that, at a minimum, covers us for losses that would have been otherwise covered by the mortgage insurance policy, (iii) if we obtained such mortgage loan in a bulk mortgage loan sale and based on certain limited property related data reviewed, we determined that such mortgage loan had a current LTV ratio of 80% or less, or (iv) where state or local laws limit the ability to require mortgage insurance. The related servicer is required to maintain the mortgage insurance policy unless and until the loan qualifies for the cancellation of mortgage insurance under the Guide. Mortgage insurance generally qualifies for cancellation when the current LTV ratio of a mortgage loan is determined by the related servicer to be 80% or less. Such determination by the related servicer may be based on either the original appraisal or an updated property value. There can be no assurance that such original appraisal or updated property value reflects the current market value of the property at the time of the cancellation of mortgage insurance, and there can be no assurance that the LTV ratio of any Reference Obligation determined at any time in the future will be less than or equal to the LTV ratio determined in connection with any cancellation of mortgage insurance. No Mortgage Insurance Credit Amount will be available to cover any losses if a Reference Obligation, without an effective mortgage insurance policy in place, becomes a Credit Event Reference Obligation. The full claim amount under any available mortgage insurance policy may not be available in the event the mortgage insurer determines the loss associated with the mortgaged property is due to physical damage, including physical damage from certain natural disasters, to such mortgaged property. For further discussion relating to the calculation of LTVs and details as to why certain Reference Obligations may not have mortgage insurance, see “*Mortgage Loan Purchase and Servicing — Underwriting Standards — Loan-to-Value Ratio*” in Annex A.

***Servicing Transfers May Result in Decreased or Delayed Collections and Credit Events***

We have the right to terminate servicers as described under “*Mortgage Loan Purchase and Servicing — Servicing Standards — Servicer Termination*” in Annex A. The removal of servicing from one servicer and transfer to another servicer involves some risk of disruption in collections due to data input errors, misapplied or misdirected payments, inadequate mortgagor notification, system incompatibilities, potential inability to assign consumer authorizations to effect electronic mortgage payments and other reasons. As a result, the affected Reference Obligations may experience increased delinquencies and defaults, at least for a period of time, until all of the mortgagors are informed of the transfer and comply with new payment remittance requirements (e.g., new servicer payee address) and the related servicing records and all the other relevant data has been obtained by the new servicer. There can be no assurance as to the extent or duration of any disruptions associated with the transfer of servicing or as to the resulting effects on the yields on the Notes.

***Each Servicer’s Discretion Over the Servicing of the Related Reference Obligations May Adversely Affect the Amount and Timing of Funds Available to Make Payments on the Notes***

Each servicer is obligated to service the related Reference Obligations in accordance with applicable law, the Guide and TOBs, as applicable. See “*Mortgage Loan Purchase and Servicing — Servicing Standards*” in Annex A. Each servicer has some discretion in servicing the related Reference Obligations as it relates to the application of the Guide and TOBs, as applicable. Maximizing collections on the related Reference Obligations is not the servicer’s only priority in connection with servicing the related Reference Obligations. Consequently, the manner in which a servicer exercises its servicing discretion or changes its customary servicing procedures could have an impact on the amount and timing of principal collections on the related Reference Obligations, which may adversely affect the amount and timing of principal payments to be made on the Principal Balance Notes. See “— *Governance and Regulation — Governmental Actions May Affect Servicing of Mortgage Loans and May Limit the Servicer’s Ability to Foreclose*” and “— *New Laws and Regulations May Adversely Affect Our Business Activities and the Reference Pool*”.



***The Performance of Sellers and Servicers May Adversely Affect the Performance of the Reference Obligations***

The financial difficulties of sellers and servicers of residential mortgage loans may be exacerbated by higher delinquencies and defaults that reduce the value of mortgage loan portfolios, requiring sellers to sell the conditional contract rights of their servicing portfolios at greater discounts to par. In addition, the costs of servicing an increasingly delinquent mortgage loan portfolio may be rising without a corresponding increase in servicing compensation. Many sellers and servicers of residential mortgage loans also have been the subject of governmental investigations and litigation, many of which have the potential to adversely affect the financial condition of those financial institutions. In addition, any regulatory oversight, proposed legislation and/or governmental intervention may have an adverse impact on sellers and servicers. These factors, among others, may have the overall material adverse effect of increasing costs and expenses of sellers and servicers while at the same time decreasing servicing cash flow and loan origination revenues, and in turn may have a negative impact on the ability of sellers and servicers to perform their obligations to us with respect to the Reference Obligations, which could affect the amount and timing of principal collections on the Reference Obligations and the rate and timing of Credit Events and Modification Events (as well as the severity of losses realized with respect thereto). For any seller or servicer that becomes subject to a bankruptcy proceeding, we may receive lump sum settlement proceeds from the bankruptcy estate to cover all liabilities and/or contingent liabilities of such seller or servicer to us (net of, if applicable, all liabilities and/or contingent liabilities of us to such seller or servicer), a portion of which may include proceeds that relate to underwriting and origination representation and warranty breaches or servicing related breaches. Given the difficulty and impracticality to separately and accurately account for the proceeds that relate to underwriting and origination representation and warranty breaches and servicing related breaches, no portion of these settlement proceeds that we may receive will be included in the Origination Rep and Warranty/Servicing Breach Settlement Amounts or otherwise result in a Tranche Write-up Amount. Notwithstanding the foregoing, if any seller or servicer becomes subject to a bankruptcy proceeding, any Reference Obligations sold or serviced by such seller or servicer that becomes a Credit Event Reference Obligation will be subjected to a non-performing loan review as described under “*Mortgage Loan Purchase and Servicing — Quality Control Process*” in Annex A.

If we were to discover an Unconfirmed Underwriting Defect or Unconfirmed Servicing Defect with respect to any Reference Obligation, we may deliver a request to the related seller or servicer to repurchase such Reference Obligation or provide an alternative remedy, as described under “*Mortgage Loan Purchase and Servicing — Quality Control Process — Repurchases*” in Annex A. However, such seller or servicer may not have the financial ability to repurchase, or may not otherwise repurchase, indemnify or provide a make-whole payment with respect to such Reference Obligation. Alternatively, such seller or servicer may appeal our repurchase request, as described under “*Mortgage Loan Purchase and Servicing — Quality Control Process — Repurchases*” in Annex A, which appeals process may significantly delay such Reference Obligation being classified as having an Underwriting Defect or Major Servicing Defect or Minor Servicing Defect. Any of these actions by a seller or servicer, in turn, may delay or reduce the allocation of any Tranche Write-up Amount to write-up the Class Principal Balances of the Notes.

***Classification of Underwriting Defects and Servicing Defects are Dependent in Part on Cooperation by the Sellers and Servicers***

If we were to discover an Unconfirmed Underwriting Defect or an Unconfirmed Servicing Defect with respect to a Credit Event Reference Obligation, in order for such Reference Obligation to be converted to a Reversed Credit Event Reference Obligation, the Unconfirmed Underwriting Defect would need to be reclassified as an Underwriting Defect or the Unconfirmed Servicing Defect would need to be reclassified as a Major Servicing Defect. When a Credit Event Reference Obligation becomes a Reversed Credit Event Reference Obligation, a Tranche Write-up Amount could result which may be allocated to write-up the Class Principal Balances of the Notes that were previously written down due to allocation of Tranche Write-down Amounts. In order for an Unconfirmed Underwriting Defect to be reclassified as an Underwriting Defect or Unconfirmed Servicing Defect to be reclassified as a Minor Servicing Defect or Major Servicing Defect, the related seller or servicer must either repurchase the related Reference Obligation or agree with us on an alternative remedy (e.g., indemnification) or we in our sole discretion must agree to waive the enforcement of any remedy in respect of the Unconfirmed

Underwriting Defect or Unconfirmed Servicing Defect. Any delay or inability on the part of, or refusal by, the related seller or servicer to repurchase the related Reference Obligation or to come to an agreement with us on an alternative remedy, could delay or avoid such Reference Obligation being classified as having an Underwriting Defect or a Minor Servicing Defect or Major Servicing Defect, which, in turn, could have a negative impact on the Notes, as this may prevent, delay or reduce the allocation of a Tranche Write-up Amount to potentially write-up the Class Principal Balances of the Notes.

***Solicitation May Result in Erosion in the Overall Credit Quality of the Reference Pool***

While we prohibit our servicers from specifically soliciting our mortgagors for refinancing or segregating mortgage loans in their own portfolio from those sold to us for different treatment in terms of refinance advertising, offers or practices, our servicers and other mortgage lenders are not precluded from conducting broad based consumer advertising and solicitations of mortgagors in general to refinance their mortgage loans. These refinancings may increase the rate of prepayment of the Reference Obligations. The refinancing of a portion of the Reference Obligations may lead to an erosion of the credit quality of the Reference Obligations remaining in the Reference Pool and a resulting increase in the rate of Credit Events and Modification Events (as well as increase the severity of losses realized with respect thereto). You may receive less interest on the Notes as a result of prepayments on such Reference Obligations and as a result may experience a lower yield on your investment.

***Mortgagors May Have, or May in the Future Incur, Additional Indebtedness Secured by Mortgaged Properties Securing the Reference Obligations***

As of the Cut-off Date, approximately 23.00% of the Reference Obligations by Cut-off Date Balance are secured by mortgaged properties that also were subject to subordinate mortgage liens at the respective times of origination of those Reference Obligations and considered in the underwriting of such Reference Obligations. In addition, mortgagors may generally obtain additional mortgage loans secured by their respective properties at any time and we are not generally entitled to receive notification when a mortgagor does so. Therefore, it is possible that mortgagors have obtained additional post-origination subordinate mortgages. If such a post-origination subordinate mortgage is obtained with respect to a Reference Obligation, this additional indebtedness could increase the risk that the value of the related mortgaged property is less than the total indebtedness secured by such mortgaged property and could increase the risk of Credit Events and Modification Events (as well as increase the severity of the losses realized with respect thereto) on such Reference Obligation. The existence of subordinate mortgage liens may adversely affect default rates because the related mortgagors must make two or more monthly payments and also because such subordinate mortgages will result in an increased combined LTV of the mortgage loans. A default on a subordinate mortgage loan could cause the related mortgaged property to be foreclosed upon at a time when the first mortgage loan remains current as to scheduled payments. If this should occur with respect to the Reference Obligations, it may affect prepayment rates on the Reference Obligations and could result in increased Credit Events with respect to the Reference Obligations, which could adversely affect the Noteholders. Further, with respect to mortgage loans that have subordinate lien mortgages encumbering the same mortgaged property, the risk of Credit Events and Modification Events (as well as the severity of the losses realized with respect thereto) may be increased relative to mortgage loans that do not have subordinate financing since mortgagors who have subordinate lien mortgages have less equity in the mortgaged property. We have not independently verified the existence of any subordinate liens on any mortgaged properties securing the Reference Obligations, and any information provided in this Memorandum as to subordinate liens on any mortgaged properties securing the Reference Obligations is based solely on the representation made by the related seller in connection with our acquisition of the related Reference Obligations.

***Geographic Concentration May Increase Risk of Credit Events Due to Adverse Economic Conditions or Natural Disasters***

As of the Cut-off Date, approximately 12.72% of the Reference Obligations by Cut-off Date Balance are secured by mortgaged properties located in California. If the regional economy or housing market weakens in California or any other state or region having a significant concentration of mortgaged properties underlying the Reference Obligations, the Reference Obligations may experience higher rates of Credit Events and Modification



Events (as well as higher severity of losses realized with respect thereto), potentially resulting in losses on the Notes. In addition, California, states in the Gulf coast region (particularly Florida) and southeastern and northeastern Atlantic coast, the New England area, Oklahoma, Colorado, Texas, North Carolina, Hawaii and other regions have experienced natural disasters, including earthquakes, fires, mudslides (including recent fires and mudslides in California), floods, tornadoes, hurricanes (including Hurricane Harvey, Hurricane Irma and Hurricane Maria) and volcanic activity, which may adversely affect mortgagors and mortgaged properties. Mortgagors whose mortgaged properties are located outside of an area that has experienced a natural disaster may also be adversely affected if their place of employment is located in the area impacted by such natural disaster. Any concentration of mortgaged properties in a state or region may present unique risk considerations. No assurance can be given as to the effect of natural disasters on delinquencies and losses on any of the Reference Obligations secured by the mortgaged properties that might be damaged by such natural disasters or on any other Reference Obligations. In the event of a natural disaster we may offer relief, such as deferral of payments or permanent modification of the terms of a Reference Obligation, to affected mortgagors.

Any deterioration in housing prices in a state or region due to adverse economic conditions, natural disasters or other factors, any deterioration of the economic conditions or natural disasters in a state or region that adversely affects the ability of mortgagors to make payments on the Reference Obligations may result in losses on the Notes. Any losses may adversely affect the yield to maturity of the Notes.

See Appendix A for further information regarding the geographic concentration of the Reference Obligations.

***The Rate of Credit Events and Modification Events on Mortgage Loans That Are Secured by Second Homes or Investment Properties May be Higher than on Other Mortgage Loans***

As of the Cut-off Date, approximately 15.29% of the Reference Obligations by Cut-off Date Balance, are secured by properties acquired as second homes or investment properties. Mortgage loans secured by properties acquired as second homes or investments may present a greater risk that the mortgagor will stop making monthly payments if the mortgagor's financial condition deteriorates. Properties acquired as second homes or investments may have a higher frequency of Credit Events and Modification Events than properties that are owner-occupied. In a default, mortgagors who do not reside in the mortgaged property may be more likely to abandon the related mortgaged property. This risk may be especially pronounced for mortgagors with mortgage loans on more than two properties. In addition, income expected to be generated from an investment property may have been considered for underwriting purposes in addition to the income of the mortgagor from other sources. Should this income not materialize, it is possible the mortgagor would not have sufficient resources to make payments on the mortgage loan.

The percentage of the Reference Obligations described in the preceding paragraph does not include any mortgage loans secured by second homes or investment properties for which the related mortgagor identified the purpose of the loan as owner-occupied. Any such mortgage loan may perform similarly (and demonstrate similar risks) to mortgage loans described in the preceding paragraph. We have not independently verified the occupancy status of any home, and any information provided in this Memorandum as to owner occupancy is based solely on the representation made by the related mortgagor in connection with the origination of the related Reference Obligation.

***Mortgage Loans with High Loan-to-Value Ratios Leave the Related Mortgagors with Little or No Equity in the Related Mortgaged Properties, Which May Result in Credit Events on the Reference Obligations***

Prior to 2012, the Relief Refinance Program allowed the LTV ratio of fixed-rate Relief Refinance Mortgages to be up to 125%. After certain changes were implemented in 2012, there was no maximum LTV ratio for fixed-rate Relief Refinance Mortgages. Mortgage loans with high loan-to-value ratios may present a greater risk of mortgagor default relative to mortgage loans with lower loan-to-value ratios to the extent the mortgagors with the mortgage loans with high loan-to-value ratios have limited or no equity in the related mortgaged properties. In addition, an overall decline in the residential real estate market, a rise in interest rates over a period of time and the general condition of the related mortgaged property, as well as other factors, may have the effect of reducing the value of the related mortgaged property from the value at the time the mortgage loan was

originated and mortgagors may experience reduced incentives to continue making their required monthly payments. If the value of a mortgaged property decreases, the loan-to-value ratio may increase over what it was at the time the related mortgage loan was originated, which may further reduce the incentives for the mortgagor to continue their required monthly payment. There can be no assurance that the loan-to-value ratio of any mortgage loan determined at any time after origination will be less than or equal to its original loan-to-value ratio. Furthermore, a mortgagor may have obtained at or around the time of origination, or may obtain at any time thereafter (without our knowledge), additional subordinate financing, which would further reduce the equity the mortgagor would otherwise have in the related mortgaged property. You should consider the risk that Reference Obligations with high LTV ratios may experience higher rates of Credit Events relative to mortgage loans with lower LTV ratios, which may cause Tranche Write-down Amounts that result in reductions in the Class Principal Balances or Notional Principal Amounts, as applicable, of the Notes.

***Mortgage Loans Made to Certain Mortgagors May Present a Greater Risk***

Certain homebuyers may present a greater risk of default as a result of their circumstances. Credit Events and Modification Events on certain Reference Obligations may be higher as a result of the related mortgagors' circumstances. Mortgagors of certain Reference Obligations may have less steady or predictable income than others, which may increase the risk of these mortgagors not making payments on time. Further, mortgagors who are significantly increasing their housing payments may have difficulties adjusting to their new housing debt even though their debt-to-income ratios may be within guidelines. Investors should consider that a higher number of mortgagors that have mortgage loans with high LTVs or that are subject to the circumstances described above may result in increased Credit Events and Modification Events (as well as increased severity of losses realized with respect thereto), which in turn could result in an increase in losses on the Notes.

***Mortgage Loans Secured by Manufactured Homes May Present a Greater Risk***

As of the Cut-off Date, approximately 0.42% of the Reference Obligations by Cut-off Date Balance are secured by manufactured homes. Reference Obligations secured by manufactured homes may present a greater risk that the mortgagor will default on the Reference Obligation as compared to Reference Obligations secured by non-manufactured homes. Consequently, you should consider that a higher number of Reference Obligations secured by manufactured homes may result in Credit Events and Modification Events (as well as increased severity of losses realized with respect thereto) and therefore result in an increase in losses suffered by the Noteholders.

***Impact of Potential Military Action and Terrorist Attacks***

The effects that military action by United States forces in other regions and terrorist attacks within or outside the United States may have on the performance of the Reference Obligations cannot be determined at this time. Prospective investors should consider the possible effects on delinquency, default and prepayment experience of the Reference Obligations. Federal agencies and non-government lenders have and may continue to defer, reduce or forgive payments and delay foreclosure proceedings in respect of mortgage loans to mortgagors affected in some way by recent and possible future events.

The Relief Act, similar state military relief laws and our policies relating to servicemembers may require payment reduction or foreclosure forbearance to some mortgagors and their dependents. Moreover, federal and state agencies have deferred, reduced or forgiven and may continue to defer, reduce or forgive payments and delay foreclosure proceedings for mortgage loans to mortgagors affected in some way by possible future military action, deployment or terrorist attacks whether or not they are servicemembers or their dependents. See "*Certain Legal Aspects of the Reference Obligations — Servicemembers Civil Relief Act*".

***Mortgage Loan Historical Information is Not Indicative of Future Performance of the Reference Pool***

The information with respect to the Reference Obligations and our mortgage loans generally in this Memorandum or otherwise made available to you is historical in nature and should not be relied upon as indicative of the future performance of the Reference Obligations. In the past, historical information was not indicative of future performance due to various factors, including changes in lending standards, availability of affordable mortgage products, the general state of the economy and housing prices.

## **Governance and Regulation**

### ***New Laws and Regulations May Adversely Affect Our Business Activities and the Reference Pool***

There has been a substantial expansion of the regulation of loans and of the financial services industry during the past decade, including new requirements resulting from the Dodd-Frank Act and related rulemakings. For example, the CFPB has adopted a rule that establishes ability to repay requirements for mortgage sellers, as well as rules that require servicers to, among other things, make good faith early intervention efforts to notify delinquent mortgagors of loss mitigation options, to implement available loss mitigation procedures and, if feasible, exhaust all loss mitigation options before initiating foreclosure. All of the Reference Obligations are subject to these rules, and it is possible that a seller's or servicer's failure to comply with requirements adopted during the past several years could adversely affect the value of the reference obligations.

Regulators continue to implement new requirements related to the purchasing and servicing of mortgages, as well as to modify and interpret requirements that already are effective. In addition, certain legislative initiatives, if adopted, could modify the Dodd-Frank Act or other provisions and related regulatory requirements. Future changes to regulatory requirements could affect the servicing value of the Reference Obligations, require us and the sellers and servicers to change certain business practices relating to the Reference Obligations and make the servicing of mortgage loans more expensive. We and the sellers and servicers may also face a more complicated regulatory environment due to future regulatory changes, which could increase compliance and operational costs. In addition, it could be difficult for us and the sellers and servicers to comply with any future regulatory changes in a timely manner, which could interfere with the servicing of the Reference Obligations, limit default management and our loss mitigation options and lead to an increased likelihood of Credit Events and Modification Events (and greater losses realized with respect thereto), which in turn could result in an increase in losses on the Notes.

### ***Governmental Actions May Affect Servicing of Mortgage Loans and May Limit the Servicer's Ability to Foreclose***

The federal government, state and local governments, consumer advocacy groups and others continue to urge servicers to be aggressive in modifying mortgage loans to avoid foreclosure, and federal, state and local governmental authorities have enacted and continue to propose numerous laws, regulations and rules relating to mortgage loans generally, and foreclosure actions particularly. For example, the CFPB released final rules relating to mortgage servicing, which became effective on January 10, 2014, that prohibit a servicer from, among other things, commencing a foreclosure on a principal residence until a mortgage loan is more than 120 days delinquent and could delay foreclosure even beyond that time period if the mortgagor applies for a loss mitigation option, such as a loan modification. A Modification Event could occur if the mortgagor is eligible for a loan modification option made available by the owner of the mortgage loan. If the servicer denies the mortgagor a loan modification, the mortgagor may appeal, which would further delay foreclosure proceedings. Foreclosure also will be delayed if a mortgagor enters into a loss mitigation option, including a loan modification, and subsequently fails to comply with its terms. A Modification Event could result in interest amount reductions and principal write-downs on the Notes. If the rate of Modification Events due to government actions increases, this could have an adverse impact on the Notes. The final rules, among other things, also require servicers to provide certain notices, follow specific procedures relating to loss mitigation and foreclosure alternatives and establish protocols such as assuring that the mortgagor be able to contact a designated person(s) at the servicer to facilitate communications. In August 2016, the CFPB released final rules that revise and amend provisions regarding force-placed insurance notices, policies and procedures, early intervention and loss mitigation requirements under Regulation X's servicing provisions, prompt crediting and periodic statement requirements under Regulation Z's servicing provisions, and compliance under certain servicing requirements when a person is a potential or confirmed successor in interest, is a debtor in bankruptcy, or sends a cease communication request under the Fair Debt Collection Practices Act. The expense of complying with these new CFPB servicing standards for a servicer may be substantial.

Any violations of these laws, regulations and rules may provide new defenses to foreclosure or result in limitations on upward adjustment of mortgage interest rates, reduced payments by mortgagors, permanent forgiveness of debt, increased prepayments due to the availability of government-sponsored refinancing

initiatives and/or increased reimbursable expenses. Any of these factors may lead to increased Credit Events and Modification Events (as well as increase the severity of losses realized with respect thereto) and are likely to result in delayed and reduced payments on the Reference Obligations. In addition, these laws, regulations and rules may increase the likelihood of a modification of the mortgage note with respect to a delinquent mortgagor rather than a foreclosure.

Several courts and state and local governments and their elected or appointed officials also have taken unprecedented steps to slow the foreclosure process or prevent foreclosures altogether. A number of these laws have been enacted, including in California. These laws, regulations and rules will result in delays in the foreclosure process, and may lead to reduced payments by mortgagors or increased reimbursable servicing expenses. During the financial crisis, federal and state regulatory and criminal enforcement authorities entered into a variety of voluntary settlement agreements and consent orders with mortgage servicers, many of which service mortgage loans backing the Reference Obligations. These settlement agreements and consent orders provide for financial relief for homeowners, including mortgage loan principal reduction, refinancing and increased benefits and protections for servicemembers and veterans, and comprehensive reform of mortgage servicing practices for the impacted servicers. It is possible that future actions against additional servicers will result in similar agreements with similar terms, or that regulations or rules enacted by the CFPB or other governmental entities could require a servicer to implement these types of reforms with respect to the Reference Obligations. Any such changes to the servicing procedures could lead to increased Credit Events and Modification Events (as well as increase the severity of losses realized with respect thereto) and therefore could result in an increase in losses suffered by the Noteholders.

Noteholders will bear the risk that future regulatory and legal developments will result in losses on their Notes. The effect on the Notes will be likely more severe if any of these future legal and regulatory developments occur in one or more states in which there is a significant concentration of mortgaged properties.

The long-term impact of the Dodd-Frank Act and related current and future regulatory changes on the Reference Pool and the financial services industry in general will depend on a number of factors that are difficult to predict, including the ability to successfully implement any changes to business operations, changes in consumer behavior, and seller's and servicer's responses to the Dodd-Frank Act and related current and future regulatory changes.

#### ***Legislative or Regulatory Actions Could Adversely Affect Our Business Activities and the Reference Pool***

Our business operations and those of our sellers and servicers may be adversely affected by other legislative and regulatory actions at the federal, state and local levels, including by legislation or regulatory action that changes the loss mitigation, pre-foreclosure and foreclosure processes. For example, we could be negatively affected by legislative, regulatory or judicial action that: (a) changes the foreclosure process in any individual state; (b) limits or otherwise adversely affects the rights of a holder of a first lien on a mortgage (e.g., by granting priority rights in foreclosure proceedings for homeowner associations); (c) expands the responsibilities of (and costs to) servicers for maintaining vacant properties prior to foreclosure; or (d) permits or requires principal reductions, such as allowing local governments to use eminent domain to seize mortgage loans and forgive principal on the mortgage loans. These actions could delay the foreclosure process, and could increase expenses, including by potentially delaying the final resolution of seriously delinquent mortgage loans and the disposition of non-performing assets, and could lead to increased Credit Events and Modification Events (as well as increase the severity of losses realized with respect thereto).

In February of 2015, FHFA Director Mel Watt announced publicly that FHFA was studying the opportunities for including principal forgiveness as part of our loss mitigation strategy. In April of 2016, we announced our participation in a FHFA mandated modification program that permanently forgives a portion of principal for certain qualifying mortgagors and mortgage loans. See "*Mortgage Loan Purchase and Servicing — Servicing Standards — Default Management*" in Annex A for a description of this modification program. As of the date of this Memorandum, none of the Reference Obligations would qualify for a Principal Reduction Modification under the terms of this program. However, future legislative or regulatory action could be implemented to initiate new, or expand upon existing, loss mitigation strategies, which could be made applicable to the Reference Obligations.

Several bills related to flood insurance have been introduced by Congress. Some of these proposals could limit our ability to manage private flood insurer counterparty risks and set terms for private flood insurance policies. We have no ability to predict whether any similar legislation will be introduced in the future, or whether any such legislation would ultimately be enacted into law. Further, without knowing the specific content of any such future legislation, we are unable to predict what impact such legislation would have on us, the Reference Pool or the Notes. You should be aware that any such legislation could negatively impact us, the Reference Pool and your investment in the Notes. See “*Risk Factors — Risks Relating to Freddie Mac*”.

In August 2014, the SEC adopted substantial revisions to Regulation AB and other rules regarding the offering process, disclosure and reporting for asset-backed securities as defined in Regulation AB. Among other things, the changes require (i) commencing with offerings after November 23, 2016, enhanced disclosure of loan level information at the time of securitization and on an ongoing basis, (ii) that the transaction agreements provide for review of the underlying assets by an independent asset representations reviewer if certain trigger events occur and (iii) periodic assessments of an asset-backed security issuer’s continued ability to conduct shelf offerings. Also in August 2014, the SEC issued final rules that became effective in June 2015 encompassing a broad category of new and revised rules applicable to NRSROs. These rules include provisions that require (i) issuers or underwriters of rated asset-backed securities to furnish a Form ABS-15G that contains the findings and conclusions of reports of third-party due diligence providers, (ii) third-party due diligence providers to provide a form with certain information to NRSROs regarding their due diligence services, findings and conclusions, and a certification as to their review and (iii) NRSROs to make publicly available the forms provided by any third-party due diligence providers. In addition, pursuant to the Dodd-Frank Act, in October 2014, the SEC and other regulators adopted risk retention rules that require, among other things, that a sponsor, its affiliate or certain other eligible parties retain at least 5% of the credit risk underlying a non-exempt securitization, and in general prohibit the transfer or hedging of, and restrict the pledge of, the retained credit risk; the risk retention rules took effect for non-exempt residential mortgage-backed securities transactions issued on or after December 24, 2015 and on or after December 24, 2016 for all other non-exempt securitizations. We cannot predict what effect these new rules will have on the marketability of asset-backed securities. These new rules should not be applicable to the Notes because the Notes are not asset-backed securities as defined in the Exchange Act. However, if the Notes are viewed in the financial markets as having traits in common with asset-backed securities, your Notes may be less marketable than asset-backed securities that are offered in compliance with the new rules.

Investors should be aware and in some cases are required to be aware of the EU risk retention and due diligence requirements (“EU Risk Retention and Due Diligence Requirements”) that currently apply, or are expected to apply in the future, with respect to various types of EEA-regulated investors, including credit institutions and investment firms (and consolidated affiliates thereof, including those located in the United States), alternative investment fund managers (“AIFMs”), insurance and reinsurance undertakings, undertakings for collective investment in transferable securities (“UCITS”) regulated pursuant to EU Directive 2009/65/EC, and institutions for occupational retirement provision (“IORPs”). Among other things, such requirements restrict a relevant investor from investing in securitizations unless: (i) the originator, sponsor or original lender with respect to the relevant securitization has explicitly disclosed that it will retain, on an on-going basis, a net economic interest of not less than 5% with respect to certain specified credit risk tranches or securitized exposures; and (ii) such investor is able to demonstrate that it has undertaken certain due diligence with respect to various matters, including the risk characteristics of its investment position and the underlying assets, and (in the case of certain investors) the relevant sponsor, original lender or originator. Failure to comply with one or more of the requirements may result in various penalties including, in the case of those investors subject to regulatory capital requirements, the imposition of a punitive capital charge on the Notes acquired by the relevant investor.

Aspects of the requirements and what is or will be required to demonstrate compliance to national regulators remain unclear. Though some aspects of the detail and effect of all of these requirements remain unclear, these requirements and any other changes to the regulation or regulatory treatment of securitizations or of the Notes for investors may negatively impact the regulatory position of individual holders. In addition, such regulations could have a negative impact on the price and liquidity of the Notes in the secondary market.



Each prospective investor in the Notes that is subject to EU Risk Retention and Due Diligence Requirements or may in the future become subject to EU Risk Retention and Due Diligence Requirements (an “Affected Investor”) should consult with its own legal, accounting, regulatory and other advisors and/or its national regulator to determine whether, and to what extent, the information set out under “*EU Risk Retention Requirements*” and in this Memorandum generally is sufficient for the purpose of satisfying such requirements. Any such Affected Investor is required to independently assess and determine the sufficiency of such information.

None of the Transaction Parties, their respective affiliates or any other person: (i) makes any representation, warranty or guarantee that the information described above or elsewhere in this Memorandum is sufficient for the purpose of allowing an investor to comply with the EU Risk Retention and Due Diligence Requirements or any other applicable legal, regulatory or other requirements; (ii) will have any liability to any prospective investor or any other person with respect to the insufficiency of such information or any failure of the transactions contemplated herein to comply with or otherwise satisfy the EU Risk Retention and Due Diligence Requirements or any other applicable legal, regulatory or other requirements; or (iii) will have any obligation, other than the obligations undertaken by Freddie Mac under the EU Risk Retention Letter and the obligations assumed by such parties under the transaction documents generally, to monitor, enforce or enable compliance with the EU Risk Retention and Due Diligence Requirements or any other applicable legal, regulatory or other requirements.

If a regulator determines that the transaction did not comply or is no longer in compliance with the EU Risk Retention and Due Diligence Requirements or any applicable legal, regulatory or other requirement, then investors may be required by their regulator to set aside additional capital against their investment in the Notes or take other remedial measures in respect of their investment in the Notes.

On September 30, 2015, the European Commission published proposals for the CRR Amendment Regulation and the STS Securitization Regulation aiming to create a general European framework for securitization and a specific framework for “simple, transparent and standardized” securitization which are intended, amongst other things, to re-cast the EU risk retention rules as part of wider changes to establish a “Capital Markets Union” in Europe. The Securitization Regulations were published in the Official Journal of the European Union on December 28, 2017 and went into force on the twentieth day thereafter. The Securitization Regulations will apply from January 1, 2019 (subject to certain transitional provisions in the CRR Amendment Regulation regarding securitizations the securities of which were issued before January 1, 2019). Investors should be aware that there are material differences between the current EU legal framework governing securitization and that in the Securitization Regulations (including changes to the EU Risk Retention and Due Diligence Requirements).

There can therefore be no assurances that the transactions described herein will not be affected by a change in law or regulation relating to the EU Risk Retention and Due Diligence Requirements (including the Securitization Regulations), including as a result of any changes recommended in future reports or reviews. Investors should therefore make themselves aware of the EU Risk Retention and Due Diligence Requirements, the Securitization Regulations (and any corresponding implementing rules of their regulator), in addition to any other regulatory requirements that are (or may become) applicable to them and/or with respect to their investment in the Notes.

With respect to our commitment to retain a material net economic interest in the securitization, see the statements set out in “*EU Risk Retention Requirements*” below.

Investors should also independently assess and determine whether they are directly or indirectly subject to market risk capital rules jointly promulgated by the Office of the Comptroller of the Currency, the Board of Governors of the Federal Reserve and the FDIC that became effective on January 1, 2013. Any prospective investor that is subject to these rules should independently assess and determine its ability to comply with the regulatory capital treatment and reporting requirements that may be required with respect to the purchase of a Note and what impact any such regulatory capital treatment and reporting requirements may have on the liquidity or market value of the Notes.

All of these events could have a material adverse impact on the Noteholders.

### ***Violations of Various Federal, State and Local Laws May Result in Losses on the Reference Obligations***

Applicable state and local laws generally regulate interest rates and other charges, require specific disclosure and require licensing of the originator. In addition, other state and local laws, public policy and general principles of equity relating to the protection of consumers, unfair and deceptive practices and debt collection practices may apply to the origination, servicing and collection of the Reference Obligations.

The Reference Obligations are also subject to federal laws, including:

- the Federal Truth-in-Lending Act and Regulation Z promulgated thereunder, which require specific disclosures to the mortgagors regarding the terms of the Reference Obligations;
- the Homeownership and Equity Protection Act and state, county and municipal “high cost” laws and ordinances enacted to combat predatory or abusive lending;
- the Equal Credit Opportunity Act and Regulation B promulgated thereunder, which prohibit discrimination on the basis of age, race, color, sex, religion, marital status, national origin, receipt of public assistance or the exercise of any right under the Consumer Credit Protection Act, in the extension of credit; and
- the Fair Credit Reporting Act, which regulates the use and reporting of information related to the mortgagor’s credit experience.

Depending on the provisions of the applicable law and the specific facts and circumstances involved, violations of these federal or state laws, policies and principles may limit the ability to collect all or part of the principal or interest on the Reference Obligations, may result in a defense to foreclosure or an “unwinding” or rescission of the Reference Obligations and may entitle the mortgagor to a refund of amounts previously paid, which may reduce the Liquidation Proceeds received with respect to a Reference Obligation and therefore, may increase the Tranche Write-down Amount allocated to the Reference Tranches and the corresponding principal or notional amount write-downs on the Notes. See “*Certain Legal Aspects of the Reference Obligations*”.

### ***Special Assessments, Energy Efficiency and Homeowner Association Liens May Take Priority Over the Mortgage Lien***

Mortgaged properties securing the Reference Obligations may be subject to the lien of special property taxes and/or special assessments and liens that secure payment of periodic dues to homeowner associations. These liens may be superior to the liens securing the Reference Obligations, irrespective of the date of the mortgage loan.

In some instances, individual mortgagors may be able to elect to enter into contracts with governmental agencies for Property Assessed Clean Energy (PACE) or similar assessments that are intended to secure the payment of energy, water efficiency, distributed energy generation or other improvements that are permanently affixed to their properties, possibly without notice to or the consent of the mortgagee. These assessments may also have lien priority over the mortgage loans consisting of the Reference Obligations or may survive a foreclosure action thereby affecting the subsequent disposition of an REO property subject to such lien. No assurance can be given that any mortgaged property so assessed will increase in value to the extent of the assessment lien. Additional indebtedness secured by the assessment lien would reduce the amount of the value of the mortgaged property available to satisfy the affected Reference Obligation if certain Credit Events were to occur, and could therefore reduce the Net Liquidation Proceeds received with respect to such Reference Obligation (and ultimately increase the losses allocated to the Notes).

In numerous states, unpaid dues owed to a homeowner or condominium association may result in a lien on the related mortgaged property that has priority over the lien of a mortgage. If the holder of such a homeowner association lien forecloses on the related mortgaged property, the lien of the mortgage may be extinguished, resulting in losses on the related mortgage loan.

## **Risks Relating to Freddie Mac**

In addition to the risks relating to us set forth below, investors should carefully consider the risk factors set forth in our Annual Report on Form 10-K for the year ended December 31, 2017, which is incorporated in this Memorandum by reference.

### ***FHFA Could Terminate the Conservatorship by Placing Us into Receivership, Which Could Adversely Affect Our Performance under the Credit Protection Agreement***

Under the Reform Act, FHFA must place us into receivership if the Director of FHFA makes a determination that our assets are and have been less than our obligations for a period of 60 days. FHFA has notified us that the measurement period for any mandatory receivership determination with respect to our assets and obligations would commence no earlier than the SEC public filing deadline for its quarterly or annual financial statements and would continue for 60 calendar days after that date. In addition, we could be put into receivership at the discretion of the Director of FHFA at any time for other reasons set forth in the Reform Act.

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

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

During a receivership, certain rights of the Trust under the Credit Protection Agreement may not be enforceable against FHFA, or enforcement of such rights may be delayed.

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

### ***A Receiver May Transfer or Sell Our Assets and Liabilities***

If FHFA were to be appointed as receiver for us, the receiver would have the right to transfer or sell any asset or liability of ours, without any approval, assignment or consent. If the receiver were to transfer our obligations under the Credit Protection Agreement to another party, Holders of the Notes would be exposed to the credit risk of that party.

### ***We are Dependent Upon the Support of Treasury***

We receive substantial support from Treasury and are dependent upon continued support in order to continue operating our business. Our ability to access funds from Treasury under the Purchase Agreement is critical to keeping us solvent, allowing us to focus on our primary business objectives under conservatorship, and avoiding appointment of a receiver by FHFA under statutory mandatory receivership provisions. We have no ability to predict what regulatory and legislative policies or actions the Administration will pursue with respect to us. Any deterioration in our financial position and any discontinued support of the Treasury could impact our performance under the Credit Protection Agreement. Investors will be subject to the credit risk associated with our ability to make payments under the Credit Protection Agreement. See “*Freddie Mac — Purchase Agreement, Warrant and Senior Preferred Stock.*”

### ***Our Changes in Business Practices May Negatively Affect the Noteholders***

We have a set of policies and procedures that we follow in the normal course of our mortgage loan purchase and servicing business, which are generally described in this Memorandum. We have indicated that certain of

these practices are subject to change over time, as a result of changes in the economic environment and as a result of regulatory changes and changes in requirements of its regulators, including implementation of the “Single Security” initiative pursuant to the proposed common securitization platform, among other reasons. We may at any time change our practices as they relate to servicing requirements for servicers, including policies with respect to loss mitigation, quality control policies and quality assurance policies, policies governing the pursuit of remedies for breaches of sellers’ representations and warranties, REO disposition policies and other policies and procedures that may, in their current forms, benefit the Noteholders. See “*Mortgage Loan Purchase and Servicing — Quality Control Process*” in Annex A. In undertaking any changes to our practices or our policies and procedures, we may exercise complete discretion and have no obligation to consider the impact on you, and may undertake changes that negatively affect you in pursuing other interests, including, but not limited to, minimizing losses for taxpayers and complying with requirements put forth by our regulators, among others.

## **Risks Related to Eligible Investments**

### ***Noteholders Are Exposed to the Value of the Underlying Assets of the Relevant Eligible Investments***

The Issuer’s source of funds for repayment of the outstanding Class Principal Balances of the Notes will be limited to the proceeds of the liquidation of the Eligible Investments and any Credit Premium Payments and Credit Protection Reimbursement Payments we are required to make under the Credit Protection Agreement. The calculation of the Credit Premium Payment due with respect to any Payment Date will take into account the earnings (including the aggregate amount of realized principal gains less any losses) on Eligible Investments during the prior calendar month. Accordingly, in the event that we fail to make any Credit Premium Payments required by the Credit Protection Agreement, you will be exposed to the market value of the Eligible Investments. There can be no assurance that there will be no default with respect to payments on the Eligible Investments or declines in the value of Eligible Investments. See “*The Agreements — The Indenture — Accounts, Accountings and Reports*”.

### ***Certain Types of Eligible Investments May Suspend or Delay Redemptions***

Some types of Eligible Investments may, pursuant to the terms of such Eligible Investments, be able to suspend or delay redemptions. Any suspension or delay of redemptions may cause a delay or loss in the payment of principal or interest on the Notes. Furthermore, certain types of Eligible Investments may, under certain conditions, impose fees on redeeming investors. Any of these conditions could materially and adversely affect the Issuer’s ability to pay the outstanding principal amount of or interest on the Notes, should we fail to pay the Credit Premium Payment as required by the Credit Protection Agreement.

### ***Redeeming Units of an Eligible Investment During an Unfavorable Market Environment May Affect the Net Asset Value of Such Eligible Investment***

Any Eligible Investment could experience a decrease in net asset value and/or a negative yield, particularly in times of overall market turmoil or declining prices for the Eligible Investments sold, or when the markets are illiquid. When markets are illiquid, the Investment Manager may be unable to sell illiquid Eligible Investments at the desired time or price. Illiquidity can be caused by, among other things, a drop in overall market trading volume, an inability to find a ready buyer, or legal restrictions on the resale of the Eligible Investments. Certain Eligible Investments that were liquid when purchased may later become illiquid, particularly in times of overall economic distress. In selling Eligible Investments prior to maturity, any such Eligible Investment may realize a price higher or lower than that paid to acquire such Eligible Investment, depending upon whether interest rates have decreased or increased since their acquisition. Any of these conditions could materially and adversely affect the Issuer’s ability to pay the outstanding principal amount of or interest on the Notes, should we fail to pay the Credit Premium Payment as required by the Credit Protection Agreement.

### ***Failure of Eligible Investments to Satisfy the Relevant Criteria May Not Result in Their Replacement***

In the event an Eligible Investment no longer satisfies the criteria set forth in the Investment Management Agreement, no action will be taken by the Investment Manager unless it has actual knowledge (without independent investigation) of such failure to satisfy such criteria. As a result, a period of up to 60 days may

elapse following the failure of an Eligible Investment to meet such criteria before any action is taken to liquidate shares of such Eligible Investment and, therefore, it may continue to be invested in assets that may not at such time constitute an Eligible Investment. Further, neither we nor the Issuer will be obligated to inform the Investment Manager of any such failure to meet the Eligible Investments criteria.

#### ***Unfavorable Market Conditions May Cause Changes in an Investment's Yield***

Although the market value, yield and liquidity of the Eligible Investments are generally less sensitive to changes in market interest rates than are funds that invest in longer-term investments, changes in short-term interest rates may cause changes to the market value, yield and liquidity of the Eligible Investments. During periods of rising interest rates, an Eligible Investment's yield (and its market value) will tend to be lower than prevailing market rates. In addition, a low-interest rate environment may prevent an Eligible Investment from providing a positive yield or maintaining a stable net asset value, and may cause an Eligible Investment to provide a negative yield. Market disruptions also may impair the liquidity of any Eligible Investments. If the market value, yield and/or liquidity of an Eligible Investment is impaired, the Issuer's ability to pay the outstanding principal amount of and/or interest on the Notes could be materially and adversely affected, should we fail to pay the Credit Premium Payments as required by the Credit Protection Agreement.

#### ***The Net Yield of a Fund May Become Negative for Other Reasons***

If an Eligible Investment incurs a management fee during a low interest rate environment, the payment of such fee may prevent the Eligible Investment from providing a positive yield or maintaining a stable net asset value of \$1.00, and may cause the Eligible Investment to provide a negative yield. Similarly, if the investments are issued with a negative yield by the U.S. government, or if a change in regulation requires Eligible Investments to mark-to-market, the Eligible Investments may be prevented from providing a positive yield or maintaining a stable net asset value of \$1.00. In either case, the Issuer's ability to pay the outstanding principal amount of and/or interest on the Notes could be materially and adversely affected, should we fail to pay any Credit Premium Payments to cover any such decline in value or investment losses. In addition, in a negative yield environment, certain Eligible Investments may also trigger a reverse distribution mechanism or other similar actions to help maintain a stable net asset value, which would result in an investment deficiency.

#### ***The Investment Manager May Be Unable to Liquidate Investments in a Timely Manner***

There can be no assurances that there will not be a delay in the ability of the Investment Manager to liquidate the Eligible Investments or, upon such liquidation, that the amounts realized from the liquidation of the Eligible Investments will not be less than the outstanding principal amount. If we were to fail to pay the Credit Premium Payments required by the Credit Protection Agreement, no other assets would be available to the Noteholders for payment of the resulting deficiency in the applicable Interest Payment Amount and the Noteholders would bear the resulting loss thereof.

#### ***Ineligible Investments***

The No-Action Letter requires that Trust Assets be invested only in Eligible Investments, and accordingly, the Investment Management Agreement requires that Trust Assets be invested only in Eligible Investments. However, if the Investment Manager were to invest any Trust Assets in a category of investment that did not qualify as an Eligible Investment, neither we nor the Trust would be in compliance with the terms of the No-Action Letter. The Investment Manager will be required to sell any ineligible investments, which may result in a loss if we fail to make the Credit Premium Payment due.

### **Investment Factors and Risks Related to the Notes**

#### ***The Notes May Not Be Repaid in Full***

The Notes do not represent obligations (or interests in obligations) of any person or entity other than the Trust and do not represent a claim against any assets other than the Trust Assets. No governmental agency or instrumentality will guarantee or insure payment on the Notes. If the Trust were unable to make payments on the



Original Notes from Trust Assets, no other assets would be available to Noteholders for payment of the deficiency, and Noteholders would bear the resulting loss.

***Limited Source of Payments — No Recourse to Reference Obligations***

The Notes will be limited recourse obligations of the Trust, payable solely from the Trust Assets. The Notes will not be insured by any financial guaranty insurance policy. The Notes will not represent an interest in the Reference Obligations nor an obligation of us (other than with respect to the Credit Premium Payments and Credit Protection Reimbursement Payments owed by us under the Credit Protection Agreement), the Indenture Trustee, the Owner Trustee, the Initial Purchasers or any of their affiliates. The Notes will be the obligations (or interests in obligations) solely of the Trust. If the Trust were unable to make payments on the Original Notes from the Trust Assets, no other assets would be available to Noteholders for payment of the deficiency, and Noteholders would bear the resulting loss.

***Subordination of the Notes***

The rights of the Holders of the Notes with respect to the Trust Assets will be subject to our prior claims and may be subject to the claims of any other creditor of the Trust that is entitled to priority as a matter of law or by virtue of any nonconsensual lien that such creditor has on the Trust Assets or pursuant to the Priority of Payments.

***Credit Support Available to Corresponding Classes of Reference Tranches Pursuant to Hypothetical Structure Is Limited and May Not Be Sufficient to Prevent Loss on Your Notes***

Subordination provided by the Class M-2B, Class M-2BH, Class B-1, Class B-1H, Class B-2 and Class B-2H Reference Tranches for the benefit of the Class M-2A and Class M-2AH Reference Tranches, by the Class B-1, Class B-1H, Class B-2 and Class B-2H Reference Tranches for the benefit of the Class M-2B and Class M-2BH Reference Tranches and by the Class B-2 and Class B-2H Reference Tranches for the benefit of the Class B-1 and Class B-1H Reference Tranches, is intended to reduce the risk of exposure of Credit Events and Modification Events to the Class M-2A, Class M-2B and Class B-1 Notes, which correspond to the Class M-2A, Class M-2B and Class B-1 Reference Tranches, respectively. However, the amount of such subordination will be limited and may decline under certain circumstances as described in this Memorandum. Further, the Class B-2 and Class B-2H Reference Tranches will be subordinate to all the other Reference Tranches and therefore the Class B-2 Notes will not benefit from any credit enhancement. See “*The Agreements — The Indenture — Secured Parties’ Relations; Subordination*”.

If we were to experience significant financial difficulties, or if FHFA placed us in receivership and our obligation was repudiated as described above in “— *Risks Relating to Freddie Mac*,” you may suffer losses as a result of the various contingencies described in this “*Risk Factors*” section and elsewhere in this Memorandum. The Notes, including interest thereon, are not guaranteed by the United States and do not constitute debts or obligations (or interests in debts or obligations) of the United States or any agency or instrumentality of the United States, including us.

***Subordination of Corresponding Classes of Reference Tranches Increases Risk of Loss on the Notes***

The Tranche Write-down Amount with respect to any Payment Date will be allocated, *first*, to reduce any Overcollateralization Amount for such Payment Date, until such Overcollateralization Amount is reduced to zero, and, *second*, to reduce the Class Notional Amount of each Class of Reference Tranche in the following order of priority, in each case until its Class Notional Amount is reduced to zero: *first*, to the Class B-2 and Class B-2H Reference Tranches, *pro rata*, based on their Class Notional Amounts immediately prior to such Payment Date, *second*, to the Class B-1 and Class B-1H Reference Tranches, *pro rata*, based on their Class Notional Amounts immediately prior to such Payment Date, *third*, to the Class M-2B and Class M-2BH Reference Tranches, *pro rata*, based on their Class Notional Amounts immediately prior to such Payment Date, *fourth*, to the Class M-2A and Class M-2AH Reference Tranches, *pro rata*, based on their Class Notional Amounts immediately prior to such Payment Date, *fifth*, to the Class M-1H Reference Tranche, and, *sixth*, to the Class A-H Reference Tranche, but only in an amount equal to the excess, if any, of the remaining unallocated

Tranche Write-down Amount for such Payment Date over the Principal Loss Amount for such Payment Date attributable to *clause (d)* of the definition of “Principal Loss Amount”, in each case until the Class Notional Amount of each such Class is reduced to zero. Any Tranche Write-down Amounts allocated to reduce the Class Notional Amount of the Class M-2A, Class M-2B, Class B-1 or Class B-2 Reference Tranche will result in a corresponding reduction in the Class Principal Balance or Notional Principal Amount of the applicable Class or Classes of Notes. Similarly, Modification Loss Amounts are allocated to the Class M-2A, Class M-2B, Class B-1 or Class B-2 Reference Tranche pursuant to the *sixth, fifth, third and first* priorities of the definition of Modification Loss Priority and as further described under “*Description of the Notes — Hypothetical Structure and Calculations with Respect to the Reference Tranches — Allocation of Modification Loss Amount*” and will result in a corresponding reduction of the Interest Payment Amount of the Class M-2A, Class M-2B, Class B-1 or Class B-2 Notes, as applicable. We do not anticipate that Overcollateralization Amounts, if any, in this transaction will be significant.

Because the Class B-2 Reference Tranche is subordinate to the Class B-1, Class B-1H, Class M-2B, Class M-2BH, Class M-2A and Class M-2AH Reference Tranches, the Class B-2 Notes will be more sensitive than the Class B-1, Class M-2B and Class M-2A Notes and any related MAC Notes to Tranche Write-down Amounts and the allocation of Modification Loss Amounts to reduce its Interest Payment Amount. Similarly, because the Class B-1 Reference Tranche is subordinate to the Class M-2B, Class M-2BH, Class M-2A and Class M-2AH Reference Tranches, the Class B-1 Notes will be more sensitive than the Class M-2B and Class M-2A Notes and any related MAC Notes to Tranche Write-down Amounts and the allocation of Modification Loss Amounts to reduce their Interest Payment Amounts after the Class Notional Amounts of the Class B-2 and Class B-2H Reference Tranches are reduced to zero. In addition, because the Class M-2B Reference Tranche is subordinate to the Class M-2A and Class M-2AH Reference Tranches, the Class M-2B Notes and any related MAC Notes will be more sensitive than the Class M-2A Notes and any related MAC Notes to Tranche Write-down Amounts and allocation of Modification Loss Amount to reduce their Interest Payment Amounts after the Class Notional Amounts of the Class B-2, Class B-2H, Class B-1 and Class B-1H Reference Tranches are reduced to zero. It should be noted that the Class M-2A Notes and any related MAC Notes will be allocated Modification Loss Amounts to reduce their Interest Payment Amounts prior to the allocation of Modification Loss Amounts in the form of Principal Loss Amounts allocated to the Class Principal Balance of the Class M-2B Notes and any related MAC Notes as Tranche Write-down Amounts.

If you calculate your anticipated yield based on an assumed rate of Credit Events and Modification Events with respect to the Reference Pool that is lower than the rate actually incurred on the Reference Pool, your actual yield to maturity may be lower than that so calculated and could be negative such that you may fail to receive a full return of your initial investment. The timing of Credit Events and Modification Events and the severity of losses realized with respect thereto will also affect your actual yield to maturity, even if the average rate is consistent with your expectations. In general, the earlier the Notes suffer a reduction in Class Principal Balance due to the allocation of Tranche Write-down Amounts or a reduction in Interest Payment Amount triggered by Modification Loss Amounts, the greater the effect on your yield to maturity.

For a more detailed description of the hypothetical structure and the Reference Tranches, including the effect of subordination, see “*Description of the Notes — Hypothetical Structure and Calculations with Respect to the Reference Tranches*”.

***Significant Write-downs of the Notes That Are Subsequently Subject to Write-ups Will Result in Lost Accrued Interest***

Any Tranche Write-down Amounts allocated to reduce the Class Notional Amounts of a Class or Classes of Reference Tranches will result in a corresponding reduction in the Class Principal Balance or Notional Principal Amount of the corresponding Class or Classes of Notes. Any subsequent increase in the Class Principal Balance or Notional Principal Amount, as applicable, of such Notes as a result of the reversal of Credit Events will not entitle the Holder of such Class of Notes to any interest that would otherwise have been due during any periods of reduction of the Class Principal Balance or Notional Principal Amount, as applicable, of such Notes. Noteholders could suffer significant loss of accrued interest to the extent of any extended period between a reduction and subsequent increase of the Class Principal Balance or Notional Principal Amount, as applicable, of the Notes. Credit Events may ultimately be reversed, potentially resulting in Tranche Write-up Amounts that

write-up the Class Notional Amounts of the Reference Tranches. During the period in which Tranche Write-down Amounts have been allocated, prior to any reversal of Credit Events that result in Tranche Write-up Amounts that write-up the Class Notional Amounts of the Reference Tranches, the Notes will have lost accrued interest on the Class Principal Balance or Notional Principal Amount, as applicable, that was so written down due to the allocation of such Tranche Write-down Amounts for the period of time during which such Credit Event existed and was not reversed.

***LIBOR Levels Could Reduce the Yield on the Notes***

Lower than anticipated levels of One-Month LIBOR could result in actual yields on the Notes that are lower than anticipated. One-Month LIBOR is not likely to remain constant at any level. The timing of a change in the level of One-Month LIBOR may affect the actual yield on the Notes, even if the average level is consistent with your expectation. In general, the earlier a change in the level of One-Month LIBOR, the greater the effect on the yield. As a result, the effect on the yield received due to a One-Month LIBOR that is lower (or higher) than the rate anticipated during earlier periods is not likely to be offset by a later equivalent increase (or reduction). Moreover, changes may not correlate with changes in interest rates generally or with changes in other indices. The yield on the Notes could be either adversely or positively affected if changes in One-Month LIBOR do not reflect changes in interest rates generally.

***Uncertainty Relating to the Determination of LIBOR and the Potential Phasing Out of LIBOR after 2021 May Adversely Affect the Value of the Notes***

Regulators and law enforcement agencies in the United Kingdom and elsewhere are conducting civil and criminal investigations into whether bank members of the British Bankers' Association that contribute to the calculation of daily LIBOR may have been misreporting or otherwise manipulating LIBOR. A number of British Bankers' Association member banks have entered into settlements with regulators and law enforcement agencies with respect to the alleged manipulation of LIBOR. On July 27, 2017, the U.K. Financial Conduct Authority announced that it intends to stop persuading or compelling banks to submit LIBOR rates after 2021. Accordingly, it is uncertain whether the ICE Benchmark Administration, the entity responsible for administering LIBOR and used to set the rate for the floating rate Notes, will continue to quote LIBOR after 2021.

Efforts to identify a set of alternative U.S. dollar reference interest rates include proposals by the Alternative Reference Rates Committee of the Federal Reserve Board and the Federal Reserve Bank of New York. At present, we are unable to predict the effect of any alternative reference rates that may be established or any other reforms to LIBOR that may be adopted in the United Kingdom, in the U.S. or elsewhere. Uncertainty as to the nature of such potential changes, alternative reference rates or other reforms may adversely affect the trading market for LIBOR-based securities, including the Notes. Moreover, any future reform, replacement or disappearance of LIBOR may adversely affect the value of and return on the Notes.

***The Use of an Alternative Method or Index in Place of LIBOR for Determining Monthly Interest Rates May Adversely Affect the Value of Certain Notes***

As described under “Description of the Notes — Interest”, if ICE ceases to set or publish a rate for LIBOR and/or we determine that the customary method for determining LIBOR is no longer viable, we may elect to designate an alternative method or alternative index. In making an election to use any alternative method or index, we may take into account a variety of factors, including then-prevailing industry practices or other developments. We may also, for any period, apply an adjustment factor to any alternative method or index as we deem appropriate to better achieve comparability to the current index and other industry practices. See “Description of the Notes — Interest”. We can provide no assurance that any such alternative method or index or adjustment factor will yield the same or similar economic results over the lives of the related Notes. In addition, although our designation of any alternative method or index may take into account various factors, including then-prevailing industry practices, there can be no assurance that broadly-adopted industry practices will develop, and it is uncertain what effect any divergent industry practices will have on the value of and return on the Notes.

***Changes in the Market Value of the Notes May Not Be Reflective of the Performance or Anticipated Performance of the Reference Obligations***

The market value of the Notes may be volatile. These market values can change rapidly and significantly and changes can result from a variety of factors. However, a decrease in market value may not necessarily be the result of deterioration in the performance or anticipated performance of the Reference Obligations. For example, changes in interest rates, perceived risk, supply and demand for similar or other investment products, accounting standards, capital requirements that apply to regulated financial institutions and other factors that are not directly related to the Reference Obligations can adversely and materially affect the market value of the Notes. The risk of an early termination of the Credit Protection Agreement may also affect the market value of the Notes. Additionally, if we elect not to designate a CPA Early Termination Date upon the occurrence of a CPA Additional Termination Event, the liquidity and market value of the Notes may be materially and adversely affected.

***There May be Limited Liquidity of the Notes, Which May Limit Your Ability to Sell the Notes***

The Notes will constitute classes of securities issued in the first STACR transaction of this type. The Notes will not be required to be listed on any national securities exchange or traded on any automated quotation systems of any registered securities association. The Initial Purchasers will have no obligation to make a market in the Notes. As a result, there can be no assurance as to the liquidity of the market that may develop for the Notes, or if it does develop, that it will continue. It is possible that investors who desire to sell their Notes in the secondary market may find no or few potential purchasers and experience lower resale prices than expected. Investors who desire to obtain financing for their Notes similarly may have difficulty obtaining any credit or credit with satisfactory interest rates which may result in lower leveraged yields and lower secondary market prices upon the sale of the Notes.

We make no representation as to the proper characterization of the Notes for legal investment, regulatory, financial reporting or other purposes, as to the ability of particular investors to purchase the Notes under applicable legal investment or other restrictions or as to the consequences of an investment in the Notes for such purposes or under such restrictions. The liquidity of trading markets for the Notes may also be adversely affected by general declines or disruptions in the credit markets. Such market declines or disruptions could adversely affect the liquidity of and market for the Notes independent of the credit performance of the Reference Pool or its prospects. We have no obligation to continue to sponsor transactions structured to issue securities similar to the Notes or with similar terms. FHFA may require us to discontinue sponsoring transactions structured to issue such securities or require that alternative risk sharing transactions be effected, thereby affecting the development of the market for the Notes. Further, even though we are required to work together with Fannie Mae in implementing risk sharing transactions, the terms and structures of these transactions may be different.

***Legal and Regulatory Provisions Affecting Investors Could Adversely Affect the Liquidity of the Notes, Which May Limit Investors' Ability to Sell the Notes***

Regulatory or legislative provisions applicable to certain investors may have the effect of limiting or restricting their ability to hold or acquire securities such as the Notes, which in turn may adversely affect the ability of Noteholders who are not subject to those provisions to resell their Notes in the secondary market. For example, regulations were adopted on December 10, 2013 to implement the Volcker Rule, which, among other things, restricts purchases or sales of securities and derivatives by "banking entities" (which is broadly defined to include U.S. banks and bank holding companies and many non-U.S. banking entities, together with their respective subsidiaries and other affiliates) if conducted on a proprietary trading basis. Banking entities were required to be in conformance with the Volcker Rule's provisions relating to proprietary trading, as described in this paragraph, by July 21, 2015. The Volcker Rule's provisions may adversely affect the ability of banking entities to purchase and sell the Notes and thus may adversely affect the marketability of the Notes.

The Trust has been structured with the intent that it not constitute a "covered fund" for purposes of the Volcker Rule under the Dodd-Frank Act. The Trust has not been registered and will not be registered with the SEC as an investment company pursuant to the Investment Company Act, in reliance on Section 2(b) of such Act, and we are not registering as a CPO in reliance on the No-Action Letter. In the unlikely event that we

determine that the Trust is unable to meet the conditions of the No-Action Letter, and we choose to register as a CPO rather than effect an early termination of the Credit Protection Agreement, it is possible that the Trust might be considered a “covered fund” at that time. As a result, after any such registration the Volcker Rule’s provisions may adversely affect the ability of banking entities to continue to hold, purchase and sell the Notes and thus may adversely affect the marketability of the Notes. See “— *Risks Associated with the Investment Company Act*” and “— *Risks Associated with Compliance with the No-Action Letter*”.

#### ***Risks Associated with the Investment Company Act***

The Trust has not registered with the SEC as an investment company under the Investment Company Act in reliance on Section 2(b) of the Investment Company Act. The Trust may also be able to rely on another exemption under the Investment Company Act, but reliance on such other exemption would result in the Trust being a “covered fund” pursuant to the Volcker Rule under the Dodd-Frank Act.

If the SEC or a court of competent jurisdiction were to find that the Trust is required to register as an investment company under the Investment Company Act, but had failed to do so, possible consequences include, but are not limited to, the following: (i) an application by the SEC to a district court to enjoin the violation; and (ii) any contract to which the Trust is party that is made in violation of the Investment Company Act or whose performance involves such violation may be deemed unenforceable by any party to the contract unless a court were to find that under the circumstances enforcement would produce a more equitable result than nonenforcement and would not be inconsistent with the purposes of the Investment Company Act. Should the Trust be subjected to any or all of the foregoing, the Trust and Noteholders could be materially and adversely affected. Pursuant to the Trust Agreement, we agree not to take any actions which would cause the Trust to become an investment company. A CPA Additional Termination Event with respect to the Credit Protection Agreement will occur if the SEC makes a final determination that the Trust must register as an investment company under the Investment Company Act. See “— *Risks Associated with an Early Termination of the Credit Protection Agreement*” and “*The Agreements — The Credit Protection Agreement — CPA Scheduled Termination Date and CPA Early Termination Date*” and “*The Agreements — The Indenture — Indenture Events of Default*”.

In December 2013, the banking regulators and other agencies principally responsible for banking and financial market regulation in the United States implemented the final rule under the Volcker Rule, which in general prohibits “banking entities” (as defined therein) from (i) engaging in proprietary trading, (ii) acquiring or retaining an ownership interest in or sponsoring certain “covered funds” (broadly defined to include any entity that would be an investment company under the Investment Company Act but for the exemptions provided in Section 3(c)(1) or 3(c)(7) thereof) and certain similar funds, including certain commodity pools that have registered CPOs and the interests in which are not offered to the public, and (iii) entering into certain relationships with such funds.

Although the Trust does not rely upon the exemptions in Section 3(c)(1) or 3(c)(7) of the Investment Company Act for an exemption from being an investment company under the Investment Company Act, and is not a commodity pool of the type referenced in the definition of “covered fund,” the general effects of the final rules implementing the Volcker Rule remain uncertain. See “— *Legal and Regulatory Provisions Affecting Investors Could Adversely Affect the Liquidity of the Notes Which May Limit Investors’ Ability to Sell the Notes*” and “— *Risks Associated with Compliance with the No-Action Letter*”.

Any prospective investor in the Notes, including a U.S. or foreign bank or an affiliate or subsidiary thereof, should consult its own legal advisors regarding such matters and other effects of the Volcker Rule and regulatory implementation.

#### ***Risks Associated with the Commodity Exchange Act***

The Commodity Exchange Act, as amended by the Dodd-Frank Act, defines a “commodity pool” to include certain investment vehicles operated for the purpose of trading in “commodity interests,” including CFTC-regulated swaps. The Credit Protection Agreement would likely be considered a CFTC-regulated swap, and the Trust may thus fall within the definition of a “commodity pool” under the Commodity Exchange Act. As a result, the Sponsor may be deemed to be a “commodity pool operator” (a “CPO”) or “commodity trading advisor”



(a “CTA”) as defined under the Commodity Exchange Act with respect to the Trust. CPOs and CTAs are subject to regulation by the CFTC and must register with the CFTC unless an exemption from registration is available. However, the Sponsor has not registered with the CFTC as a CPO of the Trust in reliance on the No-Action Letter that the CFTC Division of Swap Dealer and Intermediary Oversight issued to the Sponsor, and related exemptions from registration as a CTA.

Under the No-Action Letter, the Sponsor is exempt from CPO registration provided that (i) the collateral received by the Trust from the sale of Notes to investors is continually invested in Eligible Investments, as defined in this Memorandum, (ii) the Trust does not engage in any additional commodity interest transactions beyond the Credit Protection Agreement, (iii) in the event of a bankruptcy proceeding involving the Trust, the exercise by the Sponsor of any contractual right to cause the termination, liquidation or acceleration of or to offset or net termination values, payment amounts or other transfer obligations arising under or in connection with the Credit Protection Agreement will not be stayed, avoided or otherwise limited, under applicable law, and (iv) the Trust otherwise meets the requirements of the CPO registration exemption set forth in CFTC Rule 4.13(a)(3) (except to the limited extent described in the No-Action Letter, the restriction on marketing investments in the Trust as or in a vehicle for trading in the commodity futures or commodity options markets or in swaps). See “*Certain Considerations Under the Commodity Exchange Act*”.

#### ***Risks Associated with Compliance with the No-Action Letter***

As more fully described in “*Certain Considerations Under the Commodity Exchange Act*” in this Memorandum, CFTC Rule 4.13(a)(3) is intended to provide an exemption from registration for CPOs that maintain their pools’ investments in commodity interests below a *de minimis* threshold. The pool’s participants must be “qualified eligible persons”, as defined in CFTC Rule 4.7, “accredited investors”, as defined in Rule 501 under the Securities Act or “knowledgeable employees”, as defined in Rule 3c-5 under the Investment Company Act. In addition, interests in the pool must be sold to qualifying investors pursuant to an exemption from registration under the Securities Act, and offered and sold without marketing to the public in the United States. In addition, the pool must limit transactions in commodity interests to the trading thresholds set forth in CFTC Rule 4.13(a)(3). As applied to the Trust in accordance with the No-Action Letter, this means that the notional value of the Credit Protection Agreement may not exceed the liquidation value of the Trust’s assets. The Credit Protection Agreement has been structured so that the notional value will not exceed the liquidation value of the Eligible Investments.

As a result of relying on the No-Action Letter, the Sponsor would not be required to deliver a CFTC-mandated disclosure document or a certified annual report to investors, or otherwise comply with the requirements applicable to CFTC-registered CPOs and CTAs. Further, this Memorandum has not been reviewed or approved by the CFTC and it is not anticipated that such review or approval will occur. It is our understanding that entities that invest in the Notes may, at the time of investment, be able to treat the Notes as if they were issued by a pool whose operator has not registered as a CPO in reliance on CFTC Rule 4.13(a)(3) and for purposes of any fund-of-funds analysis that such entities conduct; however, entities that invest in the Notes should make their own determination, in consultation with their attorneys and advisors, as to any applicable registration requirements or any exemption or exclusion with respect thereto and whether their investment in the Notes changes their status or the status of persons who may be considered their operators for purposes of the Commodity Exchange Act and the CFTC’s Rules thereunder, as more fully described in “*Certain Considerations Under the Commodity Exchange Act*”.

The Trust’s reliance on the No-Action Letter is subject to legislative or regulatory change. If the No-Action Letter is rescinded, modified, or the Sponsor reasonably determines, after consultation with external counsel (which shall be a nationally recognized and reputable law firm), that the Sponsor must register as a commodity pool operator under the Commodity Exchange Act and the regulations promulgated thereunder, this will result in us having the right to cause an early termination of the Credit Protection Agreement. Should we elect to terminate the Credit Protection Agreement early due to our determination that we need to register as a CPO under the Commodity Exchange Act, this would result in redemption of the Notes prior to the Scheduled Maturity Date. Alternatively, in the unlikely event that we determine that the Trust is unable to meet the conditions of the No-Action Letter, we may choose to register as a CPO rather than effect an early termination of the Credit Protection Agreement. Entities that invest in the Notes should consult their attorneys and advisors regarding the potential

impact on their status or the status of persons who may be considered their operators for purposes of the Commodity Exchange Act and the CFTC's rules thereunder (including any applicable registration requirements or any exemption or exclusion with respect thereto) in the unlikely event that we decide to register with the CFTC as a CPO and/or a CTA with respect to the Trust because we determine that the Trust is unable to meet the conditions of the No-Action Letter and we do not elect to designate a CPA Early Termination Date. In addition, in the unlikely event that we determine that the Trust is unable to meet the conditions of the No-Action Letter, and we choose to register as a CPO rather than effect an early termination of the Credit Protection Agreement, it is possible that the Trust might be considered a "covered fund" at that time. See "*— Legal and Regulatory Provisions Affecting Investors Could Adversely Affect the Liquidity of the Notes, Which May Limit Investors' Ability to Sell the Notes*".

#### ***The Transfer Restrictions on the Notes May Limit Investors' Ability to Sell the Notes***

The Notes may be sold only to QIBs in reliance on Rule 144A under the Securities Act. See "*Placement*" and "*Certain Considerations Under the Commodity Exchange Act*" in this Memorandum for additional information regarding the applicable restrictions on transfer.

The Notes are subject to restrictions to avoid certain fiduciary concerns and the potential application of the prohibited transaction rules under ERISA and Section 4975 of the Code, or, in the case of any governmental plan, church plan or foreign plan, a violation of Similar Law. The Original Class M Notes and the MAC Notes may be acquired by a Plan or persons or entities acting on behalf of, using the assets of or deemed to hold the assets of, a Plan, only if certain conditions are satisfied. The Class B Notes may not be acquired or held by Plans or persons acting on behalf of, using the assets of or deemed to hold the assets of a Plan. See "*Certain ERISA Considerations*" for additional information regarding the applicable ERISA restrictions on transfer. See "*Description of The Notes — Form, Registration and Transfer of the Notes*".

#### ***The Notes May be Redeemed Before the Scheduled Maturity Date***

The Notes will be subject to mandatory redemption prior to the Scheduled Maturity Date upon the termination of the Credit Protection Agreement as described under "*Description of the Notes — Scheduled Maturity Date and Early Redemption Date*" and "*The Agreements — The Credit Protection Agreement — CPA Scheduled Termination Date and CPA Early Termination Date*". Any such redemption may result in the receipt of principal of the Notes prior to the date you anticipate and may reduce your yield or cause you to incur losses on your investment in the Notes.

#### ***Exchanges of Notes May Result in Investors Holding Lower Rated Notes***

Before making an exchange involving Exchangeable Notes and MAC Notes, you should consider carefully the ratings consequences of the contemplated exchange. A rating may have relevance beyond the Rating Agency's assessment of the credit quality of a security; the rating of a security can determine the treatment of such security for certain regulatory purposes. You should consult with your advisors before exchanging your Notes.

#### ***A Reduction, Withdrawal or Qualification of the Ratings on the Rated Notes, or the Issuance of an Unsolicited Rating on the Rated Notes, May Adversely Affect the Market Value of Those Notes and/or Limit an Investor's Ability to Resell Those Notes***

We have engaged the Rating Agencies and will pay them a fee to assign ratings on the Rated Notes. We note that a Rating Agency may have a conflict of interest where, as is the industry standard and the case with the rating of the Rated Notes, the issuer or sponsor pays the fees charged by the engaged Rating Agency for their ratings services. We have not engaged any other NRSRO to assign ratings on the Rated Notes and are not aware that any other NRSRO has assigned ratings on the Rated Notes. However, under effective SEC rules, information provided by or on behalf of us to an engaged NRSRO for the purpose of assigning or monitoring the ratings on the Rated Notes is required to be made available to all NRSROs in order to make it possible for non-engaged NRSROs to assign unsolicited ratings on the Rated Notes. An unsolicited rating could be assigned at any time, including prior to the Closing Date, and none of us, the Initial Purchasers or any affiliates of the Initial Purchasers will have any

obligation to inform you of any unsolicited ratings assigned after the date of this Memorandum. NRSROs, including the Rating Agencies, have different methodologies, criteria, models and requirements. If any non-engaged NRSRO assigns unsolicited ratings on the Rated Notes or issues other commentary on the Rated Notes, there can be no assurance that such ratings will not be lower than the ratings provided by the Rating Agencies or that the commentary will not imply a lower rating, which may adversely affect the market value of the Rated Notes and/or limit an investor's ability to resell the Rated Notes. In addition, if we fail to make available to the non-engaged NRSROs any information provided to the Rating Agencies for the purpose of assigning or monitoring the ratings on the Rated Notes, the Rating Agencies could withdraw their ratings on the Rated Notes, which may adversely affect the market value of those Notes and/or limit an investor's ability to resell the Notes. Potential investors in the Rated Notes are urged to make their own evaluation of such Notes, including the credit enhancement on such Notes, and not to rely solely on the ratings on such Notes.

***The Ratings on the Rated Notes May Not Reflect All Risks***

The ratings on the Rated Notes may not reflect the potential impact of all risks related to the structure of, or the market for, such Notes, or the additional factors discussed herein and other factors that may affect the value of such Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by the Rating Agencies. You should be aware that legislative, regulatory or other events involving us could negatively affect the ratings of the Rated Notes.

***The Class B Notes Will Not Be Rated by the Rating Agencies on the Closing Date***

We have not engaged a NRSRO to rate the Class B Notes on the Closing Date and we have no obligation to do so in the future. The lack of a rating reduces the potential liquidity of the Class B Notes and thus may affect the market value of such Notes. In addition, the lack of a rating will reduce the potential for, or increase the cost of, financing the purchase and/or holding of the Class B Notes. Investors subject to capital requirements may be required to hold more capital against the Class B Notes than would have been the case had such Class of Notes been rated. An unsolicited rating could be assigned to the Class B Notes at any time, including prior to the Closing Date, and none of us, the Initial Purchasers or any affiliates of the Initial Purchasers will have any obligation to inform you of any such unsolicited rating. In addition, if in the future we were to sponsor a transaction structured to issue notes similar to the Class B Notes or other securities under an alternative risk sharing arrangement, we may seek to have such securities rated by one or more NRSROs. As a result, the marketability of the Class B Notes may be impaired because they are not so rated.

***The Ratings of the Interest Only MAC Notes do not address the Timing or Magnitude of Reductions of the Notional Principal Amounts***

The Interest Only MAC Notes are only entitled to payments of interest. In the event that Holders of the Interest Only MAC Notes do not fully recover their investment as a result of (i) a high rate of Credit Events and Modification Events that result in losses being realized with respect to the Reference Obligations, or (ii) rapid principal prepayments on the Reference Obligations, all amounts "due" to such Holders will nevertheless have been paid, and such result is consistent with the ratings received on the Interest Only MAC Notes. For example, if the Reference Obligations were to prepay in the initial month following the Closing Date, Holders of the Interest Only MAC Notes would receive only a single month's interest and, therefore, would suffer a nearly complete loss of their investment. The Notional Principal Amounts of the Interest Only MAC Notes on which interest is calculated will be reduced by the allocation under the hypothetical structure described in this Memorandum of Tranche Write-down Amounts and prepayments, whether voluntary or involuntary, to the related Reference Tranches and Exchangeable Notes from which their respective Notional Principal Amounts are derived. The ratings do not address the timing or magnitude of reductions of such Notional Principal Amounts, but only the obligation to pay interest in a timely manner on the Notional Principal Amounts as so reduced from time to time. Therefore, the ratings of the Interest Only MAC Notes should be evaluated independently from similar ratings on other types of securities.

### ***The Ability to Exchange the Exchangeable Notes and MAC Notes May Be Limited***

You must own the right Classes in the right proportions to enter into an exchange involving MAC Notes. If you do not own the right Classes, you may not be able to obtain them because:

- The owner of a Class that you need for an exchange may refuse or be unable to sell that Class to you at a reasonable price or at any price.
- Principal payments over time will decrease the amounts available for exchange.
- A Noteholder that does not own the Note may be unable to obtain the necessary Exchangeable Notes or MAC Notes because the needed Exchangeable Notes or MAC Notes may have been purchased or placed into other financial structures and thus may be unavailable for exchange.

### ***Investors Have No Direct Right to Enforce Remedies***

Noteholders generally do not have the right to institute any suit, action or proceeding in equity or at law under the Indenture.

These provisions may limit your personal ability to enforce the provisions of the Indenture. In no event will the Noteholders have the right to direct us to investigate or review whether or not an Unconfirmed Underwriting Defect, Underwriting Defect, Unconfirmed Servicing Defect, Minor Servicing Defect or Major Servicing Defect has occurred. In addition, we will have the sole discretion to determine whether to undertake such investigation or review, upon taking such investigation or review, whether we deem any findings to be material, and upon concluding that a finding is material, whether to require the related seller or servicer to repurchase the Reference Obligation, to enter into a repurchase settlement in respect of the Reference Obligation, and if so, for how much and what portion of such settlement is attributable to the Reference Obligations, or whether to waive the seller's or servicer's requirement to repurchase the Reference Obligation.

Only certain Indenture Events of Default will automatically trigger an acceleration of the Notes. The remaining Indenture Events of Default will require the Holders of not less than a majority of the aggregate outstanding Class Principal Balance of the Original Notes (without giving effect to exchanges) to direct the Indenture Trustee to enforce remedies to make such Notes immediately due and payable. In the event that Exchangeable Notes have been exchanged for MAC Notes, Holders of such MAC Notes will be entitled to exercise all voting rights that are allocated to such exchanged Exchangeable Notes in the manner described under "MAC Notes". To the extent that such direction is not given, you will have no remedies upon an Indenture Event of Default. Noteholders may not be successful in obtaining the required percentage of Holders because it may be difficult to locate other investors to facilitate achieving the required thresholds.

One or more Noteholders may purchase substantial portions of one or all Classes of Notes. If any Noteholder or group of Noteholders holds more than 50% of the aggregate outstanding Class Principal Balance of the Original Notes (without giving effect to exchanges) and disagrees with any proposed action, suit or proceeding requiring consent or direction of more than 50% of the aggregate outstanding Class Principal Balance of the Original Notes (without giving effect to exchanges), that Noteholder or group of Noteholders may block the proposed action, suit or proceeding. In the event that Exchangeable Notes have been exchanged for MAC Notes (including any MAC Notes further exchanged for other MAC Notes pursuant to an applicable Combination), Holders of such MAC Notes will be entitled to exercise all the voting rights that are allocated to such exchanged Exchangeable Notes in the manner described under "MAC Notes". In some circumstances, the Holders of a specified percentage of voting rights will be entitled to direct, consent to or approve certain actions. In these cases, this direction, consent or approval will be sufficient to bind all Holders of Notes, regardless of whether you agree with such direction, consent or approval.

### ***Legality of Investment***

Each prospective investor in the Notes is responsible for determining for itself whether it has the legal power, authority and right to purchase such Notes. None of the Transaction Parties expresses any view as to any prospective investor's legal power, authority or right to purchase the Notes. Prospective investors are urged to consult their own legal, tax and accounting advisors as to such matters. See "Legal Investment" for additional information.

### ***Rights of Note Owners May Be Limited by Book-Entry System***

The Notes will be issued as Book-Entry Notes and will be held through the book-entry system of DTC, and, as applicable, Euroclear and Clearstream. Transactions in the Book-Entry Notes generally can be effected only through DTC and participants (including Euroclear and Clearstream or their respective nominees or depositaries). As a result:

- investors' ability to pledge the Notes to entities that do not participate in the DTC, Euroclear or Clearstream system, or to otherwise act with respect to the Notes, may be limited due to the lack of a physical certificate for such Notes,
- under a book-entry format, an investor may experience delays in the receipt of payments, because payments will be made by the Indenture Trustee to DTC, Euroclear or Clearstream and not directly to an investor,
- investors' access to information regarding the Notes may be limited because transmittal of notices and other communications by DTC to its participating organizations and directly or indirectly through those participating organizations to investors will be governed by arrangements among them, subject to applicable law, and
- you may experience delays in your receipt of payments on book-entry Notes in the event of misapplication of payments by DTC, DTC participants or indirect DTC participants or bankruptcy or insolvency of those entities, and your recourse will be limited to your remedies against those entities.

For a more detailed discussion of the Book-Entry Notes, see *"Description of The Notes — Form, Registration and Transfer of the Notes"*.

### ***Tax Characterization of the Notes***

On the Closing Date, the Trust will receive an opinion from Shearman & Sterling LLP that, although the tax characterizations are not free from doubt, the Original Class M Notes, including Notes sold by virtue of a sale of related MAC Notes, will be characterized as indebtedness for U.S. federal income tax purposes, and the Class B Notes will be treated as a limited recourse guarantee contract and as an interest-bearing collateral arrangement to the extent of the principal balance of the Class B Notes for U.S. federal income tax purposes. The Trust, Freddie Mac and each Beneficial Owner of a Note, by acceptance of such Note, will agree to treat such Note in the manner described above unless a change in law or administrative practice requires a Note to be treated in some other manner. See *"Certain United States Federal Tax Consequences — Treatment of the Notes."* The MAC Notes will represent interests in the Exchangeable Notes for U.S. federal income tax purposes.

Shearman & Sterling LLP's opinion will be based on certain representations and covenants of ours and will assume compliance with the Indenture and other relevant transaction documents. You should be aware that there is no relevant authority that directly addresses the U.S. federal income tax treatment of the Notes, and the Trust has received no ruling from the IRS in connection with the issuance of the Notes. Accordingly, the U.S. federal income tax characterization of the Notes is not certain. The characterization of the Notes may affect the amount, timing and character of income, deduction, gain or loss recognized by a U.S. Beneficial Owner in respect of a Note and the U.S. withholding tax consequences to a Non-U.S. Beneficial Owner of a Note. As noted, the Trust and Freddie Mac intend to take the position that the Original Class M Notes will be treated as indebtedness for U.S. federal income tax purposes, and that Class B Notes will be treated as a limited recourse guarantee contract and as an interest-bearing collateral arrangement to the extent of the principal balance of the Class B Notes for U.S. federal income tax purposes. By purchasing Notes, Beneficial Owners will agree to treat their Notes in the manner described above. These characterizations are not binding on the IRS and the IRS may treat one or more Classes of Notes in some other manner. For example, the IRS may treat an Original Class M Note as a derivative instrument issued by us (or, even more unlikely, as an equity interest). Similarly, the IRS may treat the Class B Notes as a derivative such as an NPC or an equity interest. In light of the uncertainty as to the characterization of the Notes, you should consult your own tax advisors as to the possible alternative characterizations of the Notes for U.S. federal income tax purposes and the U.S. federal income and withholding tax consequences of such alternative characterizations. See *"Certain United States Federal Tax Consequences"* for additional information.



### ***Changes to the U.S. Federal Income Tax Laws Could Have an Adverse Impact on the Notes***

Numerous changes to the U.S. federal income tax laws were made in the recently enacted Tax Cuts and Jobs Act. The Tax Cuts and Jobs Act includes a reduction of the home mortgage interest tax deduction and a limitation on the deductions for state and local taxes, which could reduce home affordability and adversely affect home prices nationally or in local markets. In addition, such limitations on deductions could increase taxes payable by certain mortgagors, thereby reducing their available cash and adversely impacting their ability to make payments on the Reference Obligations, which in turn, could cause a loss on the Notes.

We cannot predict the long term impact of the Tax Cuts and Jobs Act. Prospective investors are urged to consult their tax advisors regarding the effect of the changes to the U.S. federal tax laws prior to purchasing the Notes.

### ***ERISA Considerations***

Each person purchasing the Notes will make or will be deemed to make certain representations and warranties regarding the prohibited transaction rules of ERISA, Section 4975 of the Code and the applicable provisions of Similar Law. Fiduciaries and other persons contemplating investing “plan assets” of Plans in such Notes should consider the fiduciary investment standards and prohibited transaction rules of ERISA and Section 4975 of the Code, Similar Law and the applicable provisions of any other applicable laws before authorizing an investment of the plan assets of any Plan in such Notes. See “*Certain ERISA Considerations*”.

### ***Downgrade of Long-term Ratings of Eurozone Nations, Russia and the United States May Adversely Affect the Market Value of the Notes***

In response to the economic situation facing the Eurozone, based on factors including tightening credit conditions, higher risk premiums on Eurozone sovereigns and disagreement among European policy makers as to how best to address the declining market confidence with respect to the Eurozone, on January 13, 2012, S&P, a Standard & Poor’s Financial Services LLC business, downgraded the long-term credit ratings on nine members of the Eurozone, including Austria, Cyprus, France, Italy, Malta, Portugal, Slovakia, Slovenia and Spain. In addition, on October 10, 2014, S&P downgraded Finland’s sovereign debt rating to AA+ from AAA, citing weak economic development and on January 26, 2015, S&P downgraded Russia’s sovereign debt rating to BB+ from BBB–, citing the Russian Federation’s weakened monetary policy flexibility and economic growth prospects. Also, on August 5, 2011, S&P lowered the long-term sovereign credit rating of U.S. government debt obligations from AAA to AA+ and on August 8, 2011, S&P downgraded the long-term credit ratings of U.S. government-sponsored enterprises.

These actions initially had an adverse effect on financial markets and although we are unable to predict the longer-term impact on such markets and the participants therein, it might be materially adverse to the value of the Notes.

### ***The Interests of the Transaction Parties and Others May Conflict With and be Adverse to the Interests of the Noteholders***

#### ***The Relationships Among Freddie Mac, Sellers, Servicers, Mortgage Insurers, the Indenture Trustee, the Owner Trustee, the Investment Manager, the Custodian and Initial Purchasers are Multifaceted and Complex***

We have various multifaceted and complex relationships with our sellers, servicers, mortgage insurers and the Initial Purchasers. This complexity increased as a result of the economic conditions experienced in 2007 and the periods that followed and as a result of disputes regarding various matters, including responsibility for deteriorations in the value of mortgage loans and mortgage securities. We purchase a significant portion of our mortgage loans from several large lenders. These lenders are among the largest mortgage loan originators in the U.S. During 2017, Wells Fargo Bank, N.A. accounted for 15% of our single-family mortgage purchase volume. In addition, many of our sellers or their affiliates have acted, and we expect will continue to act, as servicers and dealers. Further, we have many other relationships with these parties or their affiliates, including as counterparties to debt funding and derivative transactions. As discussed in more detail below, these various

relationships can create circumstances, including disputes, that result in interests and incentives that are or may be inconsistent with or adverse to the interests of holders of mortgage securities, including the Notes.

***Our Actions with Respect to REO Dispositions, Note Sales, Third-Party Sales, Short Sales and Disposition Timelines May Increase the Risk of Loss on the Notes***

We have considerable discretion, influence and authority with respect to the ultimate disposition of mortgage loans. In the exercise of this discretion, we have the ability to accept or reject prices and bids on REO properties, note sales, third-party sales and short sales. In the event we reject an offer, such rejection could delay the ultimate disposition of a mortgaged property. Any periods between an offer that is rejected and the ultimate disposition of the mortgaged property may result in additional expenses (including but not limited to delinquent accrued interest, legal fees, real estate taxes and maintenance and preservation expenses), being incurred that ultimately increase the actual loss realized on a mortgaged property. Subsequent offers that we ultimately accept could be less than previous offers presented to us. Any such additional expenses or reduced offers will reduce the Liquidation Proceeds and result in greater Tranche Write-down Amounts being allocated to the Reference Tranches (and the corresponding Classes of Notes). Moreover, delays in the ultimate disposition of a mortgaged property beyond the CPA Scheduled Termination Date will prevent losses being allocated to the Notes. Accordingly, our ability to expedite the ultimate disposition of any mortgaged property before the CPA Scheduled Termination Date ultimately will result in losses allocated to the Notes.

***Our Interests May Not be Aligned With the Interests of the Noteholders***

In conducting our business, including the acquisition, financing, securitization and servicing of mortgage loans, we maintain on-going relationships with our sellers and servicers. As a result, while we may have contractual rights to enforce obligations that our sellers and servicers may have, we may elect not to do so or we may elect to do so in a way that serves our own interests (including, but not limited to, working with our regulators toward housing policy objectives, maintaining strong on-going relationships with our sellers and servicers and maximizing interests of the taxpayers) without taking into account the interests of the Noteholders. In 2011, FHFA, as Conservator for Freddie Mac and Fannie Mae, filed lawsuits against various financial institutions and related defendants seeking to recover losses and damages allegedly sustained by Freddie Mac and Fannie Mae as a result of their investments in certain mortgage securities issued or sold by these financial institutions or their affiliates. These institutions include some of our largest sellers, servicers and dealers, including certain of the sellers of mortgage loans included in the Reference Pool and the Initial Purchasers for this offering of Notes. In these actions, FHFA claimed that the sellers, and various affiliates, made misrepresentations regarding mortgage loans that backed the residential mortgage-backed securities purchased by Freddie Mac and Fannie Mae. These actions include claims under various state and federal statutes and with respect to some of these actions, claims under state common law theories such as fraud, fraudulent inducement, fraudulent concealment, negligent misrepresentation, and aiding and abetting fraud. The claims are predicated upon various factual allegations, including that the offering materials for the mortgage securities issued in connection with the securitizations falsely represented, among other things: (1) various characteristics of the mortgage loans (including loan-to-value and debt-to-income ratios and home occupancy status); and (2) that the mortgage loans were originated in accordance with certain underwriting guidelines. In connection with these lawsuits, our Conservator has taken the position that mortgage loan originators, including originators of mortgage loans in the Reference Pool, abandoned their own underwriting standards and issued loans without regard to mortgagors' ability to repay them. In addition, we have directed trustees to file lawsuits against certain sellers of mortgage loans alleging breach of contract with respect to certain residential mortgage-backed securities purchased by us between 2006 and 2008. We cannot assure you that the existence of any prior, current or future disputes or litigation will not affect the manner in which we act in the future.

Our interests, as owner of the Reference Obligations, as guarantor of any PCs backed by Reference Obligations, as the party directing our quality control process for reviewing mortgage loans or as master servicer, may be adverse to the interests of the Noteholders. The effect of linking the Notes to the Reference Pool and the corresponding Classes of Reference Tranches established pursuant to the hypothetical structure is that we will transfer certain credit risk that we bear with respect to the Reference Pool to the extent that the Notes are subject to principal write-downs and interest amount reductions as described in this Memorandum. We, in any of our

capacities with respect to the Notes or the Reference Obligations, are not obligated to consider the interests of the Noteholders in taking or refraining from taking any action. Such action may include revising provisions of the Guide to provide for alternative modification programs or to provide less or more stringent servicing requirements through TOBs. See “— *Risks Relating to the Notes Being Linked to the Reference Pool — Servicers May Not Follow the Requirements of Our Guide or TOBs, and Servicing Standards May Change Periodically*” above. In implementing new provisions in the Guide, we do not differentiate between Reference Obligations and mortgage loans that are not in the Reference Pool. In addition, in connection with our role as Sponsor, we will be acting solely for our own benefit and not as agent or fiduciary on behalf of investors. Also, there is no independent third party engaged with respect to the Notes to monitor and supervise our activities as Sponsor.

#### ***Potential Conflicts of Interest of the Initial Purchasers and their Affiliates***

The activities of the Initial Purchasers and their respective affiliates may result in certain conflicts of interest. The Initial Purchasers and their affiliates may retain, or own in the future, Classes of Notes, and any voting rights of those Classes could be exercised by them in a manner that could adversely affect the Notes. The Initial Purchasers and their affiliates may invest or take long or short positions in securities or instruments, including the Notes, that may be different from your position as an investor in the Notes. If that were to occur, such Initial Purchaser’s or its affiliate’s interests may not be aligned with your interests in Notes you acquire.

The Initial Purchasers and their respective affiliates include broker-dealers whose business includes executing securities and derivative transactions on their own behalf as principals and on behalf of clients. Accordingly, the Initial Purchasers and their respective affiliates and clients acting through them from time to time buy, sell or hold securities or other instruments, which may include one or more Classes of the Notes, and do so without consideration of the fact that the Initial Purchasers acted as Initial Purchasers for the Notes. Such transactions may result in the Initial Purchasers and their respective affiliates and/or their clients having long or short positions in such instruments. Any such short positions will increase in value if the related securities or other instruments decrease in value. Further, the Initial Purchasers and their respective affiliates may (on their own behalf as principals or for their clients) enter into credit derivative or other derivative transactions with other parties pursuant to which they sell or buy credit protection with respect to one or more of the Notes. The positions of the Initial Purchasers and their respective affiliates or their clients in such derivative transactions may increase in value if the Notes suffer losses or decrease in value. In conducting such activities, none of the Initial Purchasers or their respective affiliates will have any obligation to take into account the interests of the Holders of the Notes or any possible effect that such activities could have on them. The Initial Purchasers and their respective affiliates and clients acting through them may execute such transactions, modify or terminate such derivative positions and otherwise act with respect to such transactions, and may exercise or enforce, or refrain from exercising or enforcing, any or all of their rights and powers in connection therewith, without regard to whether any such action might have an adverse effect on the Notes or the Holders of the Notes. Additionally, none of the Initial Purchasers and their respective affiliates will have any obligation to disclose any of these securities or derivatives transactions to you in your capacity as a Holder of a Note.

To the extent the Initial Purchasers or one of their respective affiliates makes a market in the Notes (which they are under no obligation to do), they would expect to receive income from the spreads between their bid and offer prices for the Notes. In connection with any such activity, they will have no obligation to take, refrain from taking or cease taking any action with respect to these transactions and activities based on the potential effect on an investor in the Notes. The prices at which the Initial Purchasers or one of their respective affiliates may be willing to purchase the Notes, if they make a market for the Notes, will depend on market conditions and other relevant factors and may be significantly lower than the issue prices for the Notes and significantly lower than the prices at which they may be willing to sell the Notes.

Furthermore, the Initial Purchasers expect that a completed offering will enhance their ability to assist clients and counterparties in transactions related to the Notes and in similar transactions (including assisting clients in additional purchases and sales of the Notes and hedging transactions). The Initial Purchasers expect to derive fees and other revenues from these transactions. In addition, participating in a successful offering and providing related services to clients may enhance the Initial Purchasers’ relationships with various parties, facilitate additional business development and enable them to obtain additional business and to generate additional revenue.

The Initial Purchasers and their affiliates will not have any obligation to monitor the performance of the Notes or the actions of us, the sellers or servicers, the Indenture Trustee, the Exchange Administrator or any other Transaction Party and will not have the authority to advise any such party or to direct their actions.

Furthermore, as set forth in the table below, three of the Initial Purchasers are affiliated with the specified sellers and/or servicers of Reference Obligations and the aggregate unpaid principal balance of the Reference Obligations related to each such seller and/or servicer (as of the Cut-off Date) exceeded 1% of the Cut-off Date Balance of the Reference Pool. Investors should be aware that other Initial Purchasers may be affiliated with sellers and/or servicers of Reference Obligations, but the aggregate unpaid principal balance (as of the Cut-off Date) of the Reference Obligations related to any such seller and/or servicer did not exceed 1% of the Cut-off Date Balance of the Reference Pool.

<u>Initial Purchaser</u>	<u>Affiliated Seller and/or Servicer</u>	<u>% of Reference Obligations (by Cut-off Date Balance)</u>
J.P. Morgan Securities LLC	JPMorgan Chase Bank, N.A.	20.81%
Citigroup Global Markets Inc.	CitiMortgage Inc.	7.84%
Merrill Lynch, Pierce, Fenner & Smith Incorporated	Bank of America, N.A.	7.28%

In such capacities as affiliated sellers and/or servicers, the interests of the above-referenced sellers and servicers with respect to the Reference Obligations may be adverse to the interests of the Noteholders. In their roles as sellers and servicers, the above-referenced sellers and/or servicers are not obligated to consider the interests of the Noteholders in taking or refraining from taking any action. It is expected that JPMorgan Chase Bank, N.A., CitiMortgage Inc. and Bank of America, N.A. will each continue to act as a seller and/or servicer for mortgage loans that are not included in the Reference Pool.

***Potential Conflicts of Interest of the Indenture Trustee, Custodian and the Exchange Administrator***

U.S. Bank serves as the Indenture Trustee and is an originator and/or seller with respect to approximately 6.40% of the Reference Obligations by Cut-off Date Balance, and is a servicer with respect to approximately 6.40% of the Reference Obligations by Cut-off Date Balance. In its roles as originator, seller and/or servicer, U.S. Bank's interests with respect to the Reference Obligations may be adverse to the interests of the Noteholders and U.S. Bank is not obligated to consider the interests of the Noteholders in taking or refraining from taking any action in its role as originator, seller and/or servicer. It is expected that U.S. Bank will continue to act as an originator, seller and/or servicer for mortgage loans that are not included in the Reference Pool.

***Potential Conflicts of Interest of the Investment Manager***

U.S. Bancorp Asset Management, Inc., an affiliate of U.S. Bank, serves as the Investment Manager. U.S. Bank is an originator and/or seller with respect to approximately 6.40% of the Reference Obligations by Cut-off Date Balance, and is a servicer with respect to approximately 6.40% of the Reference Obligations by Cut-off Date Balance. In its roles as originator, seller and/or servicer, U.S. Bank's interests with respect to the Reference Obligations may be adverse to the interests of the Noteholders and U.S. Bank is not obligated to consider the interests of the Noteholders in taking or refraining from taking any action in its role as originator, seller and/or servicer. It is expected that U.S. Bank will continue to act as an originator, seller and/or servicer for mortgage loans that are not included in the Reference Pool.

***Potential Conflicts of Interest of the Owner Trustee***

Wilmington Trust, a wholly-owned subsidiary of M&T Bank, serves as the Owner Trustee. M&T Bank is an originator and/or seller with respect to approximately 2.14% of the Reference Obligations by Cut-off Date Balance. In its roles as originator and/or seller, M&T Bank's interests with respect to the Reference Obligations may be adverse to the interests of the Noteholders and M&T Bank is not obligated to consider the interests of the Noteholders in taking or refraining from taking any action in its role as originator, seller and/or servicer. It is expected that M&T Bank will continue to act as an originator and/or seller for mortgage loans that are not included in the Reference Pool.

### ***Potential Conflicts of Interest Between the Classes of Notes***

There may be conflicts of interest between the Classes of Notes due to differing payment priorities and terms. You should consider that certain decisions may not be in the best interests of each Class of Notes and that any conflict of interest among the Noteholders may not be resolved in your favor. For example, Noteholders may exercise their voting rights so as to maximize their own interests, resulting in certain actions and decisions that may not be in the best interests of different Noteholders.

### **Lack of Liquidity**

The Notes are being offered in a private placement to institutional investors that are QIBs in reliance on Rule 144A of the Securities Act, and will not be registered under the Securities Act or the securities laws of any state. Accordingly, no transfer of a Note may be made unless such transfer is to another QIB, and is itself exempt from the registration requirements of the Securities Act and any applicable state securities laws. The transferor will provide to any holder of a Note and any prospective transferees designated by any such holder, information regarding the related Notes and the Reference Obligations and such other information as is necessary to satisfy the condition to eligibility set forth in Rule 144A(d)(4) for transfer of any such Note without registration thereof under the Securities Act pursuant to the registration exemption provided by Rule 144A. The holder of any Note asserts and agrees, by its acceptance of such Note, that it is a QIB, and it will indemnify the Indenture Trustee and us against any liability that may result if any such transfer is not exempt or is not made in accordance with federal and state laws.

The Notes are subject to additional restrictions on transfer to or for the benefit of employee benefit plans and other retirement arrangements subject to ERISA or Code Section 4975 or Similar Law. See “*Certain ERISA Considerations*” in this Memorandum.

Transfers of a Note will not be registered unless the transfer complies with the applicable restrictions stated above. As a result, a secondary trading market for the Notes may not develop and you must be prepared to bear the risk of your investment in the Notes until the maturity thereof.

### **Combination or “Layering” of Multiple Risk Factors May Significantly Increase the Risk of Loss on Your Notes**

Although the various risks discussed in this Memorandum are generally described separately, you should consider the potential effects on the Notes of the interplay of multiple risk factors. Where more than one significant risk factor is present, the risk of loss on your Notes may be significantly increased. In considering the potential effects of layered risks, you should carefully review the descriptions of the Reference Obligations and the Notes. See “*The Reference Obligations*” and “*Description of the Notes*”.

## **THE TRUST**

The Trust is a statutory trust created under the laws of the State of Delaware pursuant to the Trust Agreement. The purpose of the Trust is to engage in the following activities:

- (a) to enter into and perform its obligations under the Credit Protection Agreement;
- (b) to enter into and perform its obligations under the Indenture (including the issuance of the Notes);
- (c) to enter into and perform its obligations under the Investment Management Agreement;
- (d) to enter into and perform its obligations under the Administration Agreement;
- (e) to enter into and perform its obligations under the Securities Account Control Agreement;
- (f) to enter into and perform its obligations under the other Basic Documents;

(g) to invest the proceeds of the sale of the Notes in Eligible Investments and to invest the proceeds realized upon the maturity or redemption or other prepayment of Eligible Investments in additional Eligible Investments, from time to time, as contemplated herein; and



(h) to engage in such other activities, including entering into and performing its obligations under any other agreements that are necessary, suitable or convenient to accomplish the foregoing or are incidental thereto or connected therewith.

The only assets of the Trust will be (a) the Eligible Investments and the proceeds thereof, (b) the rights of the Trust under the Basic Documents, (c) the funds on deposit in the Distribution Account and Custodian Account from time to time, and (d) the payments or distributions received in respect of the Eligible Investments and the Credit Protection Agreement.

On the Closing Date, pursuant to the Indenture, the Notes will be issued and the proceeds from such issuance will be deposited into the Custodian Account. In addition, no amendment may be made to the Trust Agreement unless the Owner Trustee has received an opinion of a nationally recognized U.S. federal income tax counsel to the effect that, and subject to customary assumptions, qualifications and exclusions, (1) such opinion reaffirms each of the tax opinions delivered on the Closing Date and (2) such amendment will not result in Holders recognizing income, gain or loss for U.S. federal income tax purposes.

The Trust will dissolve and be wound up upon the payment of the Notes in accordance with the terms of the Trust Agreement and the payment or discharge of all other amounts owed by the Trust under the Basic Documents.

## DESCRIPTION OF THE NOTES

### General

On the Closing Date, the Trust will issue the following Classes of Original Notes: the Class M-2A, Class M-2B, Class B-1 and Class B-2 Notes. The Class M-2A and Class M-2B Notes will be modifiable and combinable with the MAC Notes, and vice versa, as described in Table 2. In addition, certain Classes of MAC Notes will be further exchangeable for other Classes of MAC Notes as described in Table 2. If the Class M-2 Notes have been exchanged for other Classes of MAC Notes pursuant to Combination 2, 3, 4 or 5, the Classes of MAC Notes held after the exchange will be treated in the same manner as if the Class M-2 Notes had been exchanged directly for the Class M-2A and Class M-2B Notes and then the Class M-2A and Class M-2B Notes had been exchanged pursuant to (i) Combinations 6 and 10, in the case of Combination 2, (ii) Combinations 7 and 11, in the case of Combination 3, (iii) Combinations 8 and 12, in the case of Combination 4 and (iv) Combinations 9 and 13, in the case of Combination 5. On the Closing Date, the Class M-2A and Class M-2B Notes will be deemed to have been exchanged, in whole or in part, as applicable, for the Class M-2 Notes.

The Original Notes will be issued pursuant to the Indenture. Under the Indenture, the Indenture Trustee will act as the Exchange Administrator for the Exchangeable Notes and MAC Notes, the Custodian of the Custodian Account and paying agent, Note Registrar and authenticating agent of the Notes. See “*The Agreements*”.

The Notes will be obligations (or interests in such obligations) of the Trust. Payments of principal and interest on the Notes will be subject to the performance of the Reference Obligations. The proceeds from the issuance of the Notes will comprise a part of the Trust Assets and will be used to pay the obligations of the Trust, including the obligation of the Trust to pay the Credit Protection Payments from time to time, if any, to us, prior to being used to pay principal and interest on the Notes. The transaction is structured to furnish credit protection to us, with respect to Reference Obligations which experience losses relating to Credit Events and Modification Events. The Class Principal Balances of the Notes may be written down, as applicable, as a result of Credit Events and Modification Events on the Reference Obligations and the actual losses we experience with respect thereto. In addition, the Interest Accrual Amounts payable to the Notes will be subject to reduction to the extent that the Reference Obligations experience losses as a result of Modification Events. See “— *Hypothetical Structure and Calculations with Respect to the Reference Tranches — Allocation of Tranche Write-down Amounts*” and “— *Allocation of Modification Loss Amount*” below.

The principal balance of the Notes will amortize based on the collections of principal payments on the Reference Obligations. The Mezzanine and Junior Reference Tranches will not be allocated Stated Principal for the applicable Payment Date unless each of the Minimum Credit Enhancement Test, the Cumulative Net Loss Test and the Delinquency Test are satisfied for the related Payment Date, as described under “— *Hypothetical*

*Structure and Calculations with Respect to the Reference Tranches — Allocation of Senior Reduction Amount and Subordinate Reduction Amount*” below. Unlike securities in a senior/subordinate private label residential mortgage-backed securitization, the principal payments required to be paid on the Original Notes will be based in part on principal payments that are collected by us on the Reference Obligations, rather than on scheduled payments due on the Reference Obligations, as described under “— *Hypothetical Structure and Calculations with Respect to the Reference Tranches — Allocation of Senior Reduction Amount and Subordinate Reduction Amount*” below. In other words, to the extent that a delinquent mortgagor misses a payment (or makes only a partial scheduled payment) on a Reference Obligation, the Trust will not make principal payments on the Original Notes based on the amount that was due on such Reference Obligation, but, rather, it will only make principal payments on the Original Notes based in part on the principal collected on such Reference Obligation. Additionally, the Notes will only receive Stated Principal upon the satisfaction of the Minimum Credit Enhancement Test, the Cumulative Net Loss Test and the Delinquency Test for the related Payment Date, as described under “— *Hypothetical Structure and Calculations with Respect to the Reference Tranches — Allocation of Senior Reduction Amount and Subordinate Reduction Amount*” below. You should make your own determination as to the effect of these characteristics of the Notes.

For the avoidance of doubt, under no circumstances will the actual cash flow from the Reference Obligations be paid to or otherwise be made available to you. The Trust will make required payments to the Notes only from Trust Assets and only after payments required to be paid by the Trust to us under the Credit Protection Agreement have been made.

## **Form, Registration and Transfer of the Notes**

### ***Form of Notes***

The Notes will be issued as Book-Entry Notes. Original Notes will be deposited with (i) the Indenture Trustee as a custodian for, and registered in the name of Cede & Co., as the nominee of, DTC, or (ii) the Indenture Trustee as a Common Depositary, and registered in the name of such Common Depositary or a nominee of such Common Depositary. In the case of an exchange of an Exchangeable Note and a MAC Note, the Exchange Administrator will direct the Indenture Trustee to facilitate such exchange with DTC. The Original Notes will be issued and maintained in minimum denominations of \$10,000 and additional increments of \$1. The Notes are not intended to be and should not be directly or indirectly held or beneficially owned in amounts lower than such minimum denominations. A single Note of each Class may be issued in an amount different (but not less) than the minimum denomination described above.

### ***Title***

As used in the Indenture, the “Holder” of a Note is the person in whose name such Note is registered in the Note Register. Unless and until Definitive Notes are issued, it is anticipated that the only Holder will be Cede & Co., as nominee of DTC. Beneficial interests in a Note will be represented, and transfers thereof will be effected, only through book-entry accounts of financial institutions acting on behalf of the Beneficial Owners of such Note, as a direct or indirect participant in the applicable clearing system for such Note. Beneficial Owners will not be Holders as that term is used in the Indenture. Beneficial Owners are only permitted to exercise their rights indirectly through participants, indirect participants, Clearstream, Euroclear and DTC. The Indenture Trustee or another designated institution will act as the custodian of the Book-Entry Notes on DTC and as the common depositary for Book Entry Notes that clear and settle through Euroclear or Clearstream.

The Trust, the Indenture Trustee, the Exchange Administrator, the Note Registrar and any agent of any of them may treat the Holders as the absolute owners of Notes for the purpose of making payments and for all other purposes, whether or not such Notes are overdue and notwithstanding any notice to the contrary. Owners of beneficial interests in a Note will not be considered by the Indenture Trustee, the Exchange Administrator or the Note Registrar as the owner or Holder of such Note and, except as described in “— *Issuance of Definitive Notes*” below, will not be entitled to have such Notes registered in their names and will not receive or be entitled to receive Definitive Notes. Any Beneficial Owner will rely on the procedures of the applicable clearing system and, if such Beneficial Owner is not a participant therein, on the procedures of the participant through which such Beneficial Owner holds its interest, to exercise any rights of a Holder of such Notes.

Whenever notice or other communication to Holders is required under the Indenture, unless and until Definitive Notes are issued as described in “— *Issuance of Definitive Notes*” below, the Indenture Trustee will give all such notices and communications to DTC for distribution to the related Beneficial Owners in satisfaction of such requirement.

### ***Registration of Transfer and Exchange of Notes***

Under the Indenture, the Issuer will appoint the Indenture Trustee as the Note Registrar for the purpose of registering Notes and transfers and exchanges of Notes in the Note Register (other than exchanges of Exchangeable Notes for MAC Notes and vice versa, which shall be administered by the Exchange Administrator). Subject to such reasonable rules and regulations as the Indenture Trustee may prescribe, the Note Register will be amended from time to time by the Indenture Trustee or its agent to reflect notice of any changes received by the Indenture Trustee or its agent. The Note Registrar may at any time resign by giving at least 30 days’ advance written notice of resignation to the Sponsor and Indenture Trustee. The Indenture Trustee may at any time remove the Note Registrar by giving written notice of such removal to such Note Registrar. Upon receiving a notice of resignation or upon such a removal, the Indenture Trustee may appoint a bank or trust company to act as successor note registrar, will give written notice of such appointment to the Sponsor and will mail notice of such appointment to all Holders of Notes. Any successor note registrar upon acceptance of its appointment hereunder will become vested with all the rights, powers, duties and responsibilities of its predecessor hereunder, with like effect as if originally named as Note Registrar. The Note Registrar may appoint, by a written instrument delivered to the Holders and the Indenture Trustee, any bank or trust company to act as co-registrar under such conditions as the Note Registrar may prescribe. Upon notification by the Exchange Administrator, the Indenture Trustee will indicate to DTC any exchanges of Exchangeable Notes for MAC Notes (and vice versa).

A Note Owner’s ownership of a Book-Entry Note will be recorded on the records of the Financial Intermediary that maintains the Note Owner’s account for such purpose. In turn, the Financial Intermediary’s ownership of such Book-Entry Note will be recorded on the records of DTC (or of a participating firm that acts as agent for the Financial Intermediary, whose interest will in turn be recorded on the records of DTC, if the Note Owner’s Financial Intermediary is not a participant but rather an indirect participant), and on the records of Clearstream or Euroclear, and their respective participants or indirect participants, as applicable.

Note Owners will receive all payments of principal and interest on the Book-Entry Notes from the Indenture Trustee through DTC (and Clearstream or Euroclear, as applicable) and participants. While the Book-Entry Notes are outstanding (except under the circumstances described below), under the Rules, DTC is required to make book-entry transfers among participants on whose behalf it acts with respect to the Book-Entry Notes and is required to receive and transmit payments of principal of, and interest on, the Book-Entry Notes. Participants and indirect participants with whom Note Owners have accounts with respect to Book-Entry Notes are similarly required to make book-entry transfers and receive and transmit such payments on behalf of their respective Note Owners. Accordingly, although Note Owners will not possess certificates representing their respective interests in the Book-Entry Notes, the Rules provide a mechanism by which a Note Owner will receive payments and will be able to transfer its interest. It is expected that payments by participants and indirect participants to Note Owners will be governed by such standing instructions and customary practices. However, payments of principal and interest in respect of such Book-Entry Notes will be the responsibility of the applicable participants and indirect participants and will not be the responsibility of DTC (or Clearstream or Euroclear, as applicable), the Trust or the Indenture Trustee once paid or transmitted by them.

As indicated above, Note Owners will not receive or be entitled to receive certificates representing their respective interests in the Book-Entry Notes, except under the limited circumstances described below. Unless and until Definitive Notes are issued, Note Owners who are not participants may transfer ownership of Book-Entry Notes only through participants and indirect participants by instructing such participants and indirect participants to transfer Book-Entry Notes, by book-entry transfer, through DTC (or Clearstream or Euroclear, as applicable), for the account of the purchasing Note Owner of such Book-Entry Notes, which account is maintained with their respective participants and indirect participants. Under the Rules, transfers of ownership of Book-Entry Notes will be executed through DTC and the accounts of the respective participants at DTC will be debited and credited. Similarly, the participants and indirect participants will make debits or credits, as the case may be, on their records on behalf of the selling and purchasing Note Owners.

The laws of some states require that certain persons take physical delivery of securities in definitive certificated form. Consequently, this may limit a Note Owner's ability to transfer its interests in a Book-Entry Note to such persons. Because DTC can only act on behalf of its participants, the ability of a Note Owner to pledge its interests in a Book-Entry Note to persons or entities that are not DTC participants, or otherwise take actions in respect of such interests, may be limited by the lack of a definitive certificate for such interest. In addition, issuance of the Book-Entry Notes in book-entry form may reduce the liquidity of such Notes in the secondary market because certain prospective investors may be unwilling to purchase Notes for which they cannot obtain a physical certificate.

Because of time zone differences, credits of securities received in Clearstream or Euroclear as a result of a transaction with a participant will be made during subsequent securities settlement processing and dated as of the next business day for Clearstream and Euroclear following the DTC settlement date. Such credits or any transactions in such securities settled during such processing will be reported to the relevant Euroclear or Clearstream participants on such business day. Cash received in Clearstream or Euroclear as a result of sales of securities by or through a Clearstream participant or Euroclear participant to a DTC participant will be received with value on the DTC settlement date but will be available in the relevant Clearstream or Euroclear cash account only as of the next business day for Clearstream and Euroclear following settlement in DTC.

Subject to compliance with the transfer restrictions applicable to the Book-Entry Notes set forth above, transfers between participants will occur in accordance with the Rules. Transfers between Clearstream participants and Euroclear participants will occur in accordance with their respective rules and operating procedures.

DTC performs services for its participants, some of which (or their representatives) own DTC. In accordance with its normal procedures, DTC is expected to record the positions held by each DTC participant in the Book-Entry Notes, whether held for its own account or as a nominee for another person. In general, beneficial ownership of Book-Entry Notes will be subject to the Rules, as in effect from time to time. Note Owners will not receive written confirmation from DTC of their purchase, but each Note Owner is expected to receive written confirmations providing details of the transaction, as well as periodic statements of its holdings, from the DTC participant through which the Note Owner entered into the transaction.

Clearstream is registered as a bank in Luxembourg, and as such is subject to supervision by the Luxembourg Financial Sector Supervisory Commission, which supervises Luxembourg banks.

Clearstream holds securities for Clearstream participants and facilitates the clearance and settlement of securities transactions by electronic book-entry transfers between their accounts. Clearstream provides various services, including safekeeping, administration, clearance and settlement of internationally traded securities and securities lending and borrowing. Clearstream also deals with domestic securities markets in several countries through established depositary and custodial relationships. Clearstream has established an electronic bridge with Euroclear Banks S.A./N.V. as the Euroclear Operator in Brussels to facilitate settlement of trades between systems.

Clearstream's customers are world-wide financial institutions including underwriters, securities brokers and dealers, banks, trust companies and clearing corporations. Clearstream's United States customers are limited to securities brokers and dealers and banks. Currently, Clearstream offers settlement and custody services to more than two thousand five hundred (2,500) customers world-wide, covering three hundred thousand (300,000) domestic and internationally traded bonds and equities. Clearstream offers one of the most comprehensive international securities services available, settling more than two hundred fifty thousand (250,000) transactions daily. Indirect access to Clearstream is available to other institutions which clear through or maintain custodial relationship with an account holder of Clearstream.

Euroclear was created in 1968 to hold securities for Euroclear participants and to clear and settle transactions between Euroclear participants through simultaneous electronic book-entry delivery against payment, thereby eliminating the need for physical movement of certificates and any risk from lack of simultaneous transfers of securities and cash. Transactions may be settled in a variety of currencies, including United States dollars. Euroclear includes various other services, including securities lending and borrowing and interfaces with domestic markets in several countries generally similar to the arrangements for cross-market transfers with DTC described above. Euroclear is operated by Euroclear Bank S.A./N.V. All operations are

conducted by the Euroclear Operator, and all Euroclear securities clearance accounts and Euroclear cash accounts are accounts with Euroclear Operator. Euroclear plc establishes policy for Euroclear on behalf of Euroclear participants. Euroclear participants include banks (including central banks), securities brokers and dealers and other professional financial intermediaries. Indirect access to Euroclear is also available to other firms that clear through or maintain a custodial relationship with a Euroclear participant, either directly or indirectly.

Securities clearance accounts and cash accounts with the Euroclear Operator are governed by the Terms and Conditions. The Terms and Conditions govern transfers of securities and cash within Euroclear, withdrawals of securities and cash from Euroclear, and receipts of payments with respect to securities in Euroclear. All securities in Euroclear are held on a fungible basis without attribution of specific certificates to specific securities clearance accounts. The Euroclear Operator acts under the Terms and Conditions only on behalf of Euroclear participants, and has no record of or relationship with persons holding through Euroclear participants.

Payments on the Book-Entry Notes will be made on each Payment Date by the Indenture Trustee to Cede & Co., as nominee of DTC. DTC will be responsible for crediting the amount of such payments to the accounts of the applicable DTC participants in accordance with DTC's normal procedures. Each DTC participant will be responsible for disbursing such payments to the Note Owners of the Book-Entry Notes that it represents and to each Financial Intermediary for which it acts as agent. Each such Financial Intermediary will be responsible for disbursing funds to the Note Owners of the Book-Entry Notes that it represents.

Under a book-entry format, Note Owners may experience some delay in their receipt of payments, since such payments will be forwarded by the Indenture Trustee to Cede & Co. Payments with respect to Notes held through Clearstream or Euroclear will be credited to the cash accounts of Clearstream participants or Euroclear participants in accordance with the relevant system's rules and procedures, to the extent received by the Common Depository. Such payments will be subject to tax reporting in accordance with relevant United States tax laws and regulations. See "*Certain United States Federal Tax Consequences — Information Reporting and Backup Withholding*".

DTC has advised that unless and until Definitive Notes are issued or modified, DTC will take any action the Holders of the Book-Entry Notes are permitted to take under the Indenture only at the direction of one or more Financial Intermediaries to whose DTC accounts the Book-Entry Notes are credited, to the extent that such actions are taken on behalf of Financial Intermediaries whose holdings include such Book-Entry Notes. Clearstream or the Euroclear Operator, as the case may be, will take any other action permitted to be taken by a Noteholder under the Indenture on behalf of a Clearstream participant or Euroclear participant only in accordance with its relevant rules and procedures and subject to the ability of the Common Depository to effect such actions on its behalf through DTC. DTC may take actions, at the direction of the related participants, with respect to some Book-Entry Notes which conflict with actions taken with respect to other Book-Entry Notes.

Although DTC, Clearstream and Euroclear have agreed to the foregoing procedures in order to facilitate transfers of Book-Entry Notes among DTC participants, Clearstream and Euroclear, they are under no obligation to perform or continue to perform such procedures and such procedures may be discontinued or modified at any time.

None of us, the Indenture Trustee or the Exchange Administrator will have any responsibility for the performance by any system or their respective participants or indirect participants or Financial Intermediaries of their respective obligations under the rules and procedures governing their operations. In addition, none of us, the Indenture Trustee or the Exchange Administrator will have any responsibility for any aspect of the records relating to and payments made on account of beneficial ownership of the Book-Entry Notes held by Cede & Co., as nominee of DTC, or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. In the event of the insolvency of DTC, a participant or an indirect participant of DTC in whose name Book-Entry Notes are registered, the ability of the Note Owners of such Book-Entry Notes to obtain timely payment and, if the limits of applicable insurance coverage by the Securities Investor Protection Corporation are exceeded or if such coverage is otherwise unavailable, ultimate payment, of amounts distributable with respect to such Book-Entry Notes may be impaired.

*Successors to DTC.* In the event that DTC is no longer willing or able to discharge properly its responsibilities as nominee and depository with respect to the Notes and the Administrator, on behalf of the Indenture Trustee is unable to locate a qualified successor in accordance with the Indenture, the Notes will no



longer be restricted to being registered in the Note Register in the name of Cede & Co. (or a successor nominee) as nominee of DTC. At that time, the Indenture Trustee may be directed to register the Notes in the name of and deposited with a successor depositary operating a global book-entry system, as may be acceptable to the Issuer, or such depositary's agent or designee but, if the Administrator does not select such alternative global book-entry system, then upon surrender to the Note Registrar of the Notes by DTC, accompanied by the registration instructions from DTC for registration, the Indenture Trustee will authenticate Definitive Notes in accordance "*— Issuance of Definitive Notes*" below. Neither the Issuer nor the Indenture Trustee will be liable for any delay in DTC's delivery of such instructions and may conclusively rely on, and will be protected in relying on, such instructions. Upon the issuance of Definitive Notes, the Indenture Trustee, the Note Registrar and the Issuer will recognize the holders of the Definitive Notes as Holders under the Indenture. Any portion of an interest in such a Book-Entry Note transferred or exchanged will be executed, authenticated and delivered only in the required minimum denomination as set forth herein. A Definitive Note delivered in exchange for an interest in such a Book-Entry Note will bear the applicable legend set forth in the applicable exhibits to the Indenture and will be subject to the transfer restrictions referred to in such applicable legends and any additional transfer restrictions as may from time to time be adopted by us and the Indenture Trustee.

*Letter of Representations.* So long as any Notes are registered in the name of Cede & Co., as nominee of DTC, all payments of principal and interest on such Notes and all notices with respect to such Notes will be made and given, respectively, in the manner provided in the Letter of Representations.

*Surrender for Registration of Transfer.* Subject to the preceding paragraphs, upon surrender for registration of transfer of any Note at the office of the Note Registrar and, upon satisfaction of the conditions set forth below, the Issuer will execute and the Indenture Trustee will authenticate and deliver, in the name of the designated transferee or transferees, a new Note of the same aggregate percentage interest and dated the date of authentication by the Indenture Trustee. The Note Registrar will maintain a record of any such transfer and deliver it to the Issuer upon request.

*Clearance and Settlement Procedures.* Notes distributed solely within the United States will clear and settle through the DTC System and Notes distributed solely outside of the United States will clear and settle through the systems operated by Euroclear, Clearstream and/or any other designated clearing system or, in certain cases, DTC. Neither the Indenture Trustee nor the Exchange Administrator will bear responsibility, in connection with the Notes, for the performance by any system or the performance of the system's respective direct or indirect participants or accountholders of the respective obligations of such participants or accountholders under the rules and procedures governing such system's operations.

*Issuance of Definitive Notes.* Beneficial interests in Notes issued in global form will be subject to exchange for Definitive Notes only if such exchange is permitted by applicable law and (i) in the case of a DTC Note, DTC advises the Indenture Trustee in writing that DTC is no longer willing, qualified or able to discharge properly its responsibilities as nominee and depositary with respect to the DTC Notes and the Administrator is unable to locate a successor; (ii) in the case of a particular DTC Note or Common Depositary Note, if all of the systems through which it is cleared or settled are closed for business for a continuous period of 14 calendar days (other than by reason of holidays, statutory or otherwise) or are permanently closed for business or have announced an intention to permanently cease business and in any such situations the Sponsor is unable to locate a single successor within 90 calendar days of such closure; or (iii) after the occurrence of an Indenture Event of Default, Holders of a majority of the aggregate outstanding Class Principal Balance of the Original Notes (without giving effect to exchanges) evidenced by the DTC Notes and Common Depositary Notes advise the Indenture Trustee and DTC through the Financial Intermediaries and the DTC participants in writing that the continuation of a book-entry system through DTC (or successor thereto) is no longer in the best interests of such Holders. In such circumstances, the Indenture Trustee shall cause sufficient Definitive Notes to be executed, authenticated and delivered to the relevant registered holders of such Definitive Notes. A person having an interest in a DTC Note or Common Depositary Note issued in global form shall provide the Indenture Trustee with a written order containing instructions and such other information as the Indenture Trustee may require to complete, execute and deliver such Definitive Notes in authorized denominations. In the event that definitive Notes are issued in exchange for Notes issued in global form, such Definitive Notes shall have terms identical to the Notes for which they were exchanged except as described in the Indenture.

### ***Transfer and Exchange of Definitive Notes***

Definitive Notes may be presented for registration of transfer or exchange (with the form of transfer included thereon properly endorsed, or accompanied by a written instrument of transfer, with such evidence of due authorization and guaranty of signature as may be required by the Indenture Trustee, duly executed) at the office of the Note Registrar or any other transfer agent upon payment of any taxes and other governmental charges and other amounts, but without payment of any service charge to the Note Registrar or such transfer agent for such transfer or exchange. A transfer or exchange shall not be effective unless, and until, recorded in the Note Register.

A transfer or exchange of a Definitive Note will be effected upon satisfying the Indenture Trustee with regard to the documents and identity of the person making the request and subject to such reasonable regulations as we may from time to time agree with the Indenture Trustee. Such documents may include forms prescribed by U.S. tax authorities to establish the applicability of, or the exemption from, withholding or other taxes regarding the transferee Holder. Definitive Notes may be transferred or exchanged in whole or in part only in the authorized denominations of the DTC Notes or Common Depositary Notes issued in global form for which they were exchanged. In the case of a transfer of a Definitive Note in part, a new Note in respect of the balance not transferred will be issued to the transferor. In addition, replacement of mutilated, destroyed, stolen or lost Definitive Notes also is subject to the conditions discussed above with respect to transfers and exchanges generally. Each new Definitive Note to be issued upon transfer of such a Definitive Note, as well as the Definitive Note issued in respect of the balance not transferred, will be mailed to such address as may be specified in the form or instrument of transfer at the risk of the Holder entitled thereto in accordance with the customary procedures of the Indenture Trustee.

The Indenture Trustee will replace any Definitive Note that becomes mutilated, destroyed, stolen or lost will be replaced at the expense of the Holder upon delivery to the Indenture Trustee of evidence of the destruction, theft or loss thereof, and an indemnity satisfactory to the Indenture Trustee. Upon the issuance of any substituted Definitive Note, the Indenture Trustee may require the payment by the Holder of a sum sufficient to cover any taxes and expenses connected therewith.

No transfer, sale, pledge or other disposition of any Note will be made unless such disposition is exempt from the registration requirements of the Securities Act, and any applicable state securities laws or is made in accordance with the Securities Act and laws. The Holder of a Note desiring to transfer a Note will indemnify the Indenture Trustee against any liability that may result if the transfer is not so exempt or is not made in accordance with such federal and state laws. The Sponsor will provide to any Holder of a Note and any prospective transferees designated by any such Holder, information regarding the related Notes and the Reference Pool and such other information as is necessary to satisfy the condition to eligibility set forth in Rule 144A(d)(4) for transfer of any such Note without registration thereof under the Securities Act pursuant to the registration exemption provided by Rule 144A. Any transferee of a Note will be deemed to represent that it is a qualified institutional buyer. By acceptance of a Note, whether upon original issuance or subsequent transfer, each Holder of such a Note acknowledges the restrictions on the transfer of such Note set forth thereon and agrees that it will transfer such a Note only as provided herein. See “*Risk Factors— Investment Factors and Risks Related to the Notes — The Transfer Restrictions on the Notes May Limit Investors’ Ability to Sell the Notes*”, “*Risk Factors — Lack of Liquidity*”, “*Certain United States Federal Tax Consequences*” and “*Certain ERISA Considerations*”

### **Payment Procedures; Withholding Requirements**

*General Payment Procedures.* All payments with respect to the Notes will be made in U.S. dollars and will be subject to any applicable law or regulation. If a payment outside the United States is illegal or effectively precluded by exchange controls or similar restrictions, payments in respect of the related Definitive Notes may be made at the office of the Indenture Trustee in the United States. Any payment made on a Class of Notes on any Payment Date will be made to the Holders of record of such Class of Notes as of the related Record Date. All determinations of interest will be made by the Calculation Agent and such determinations will, in the absence of manifest error, be conclusive for all purposes and binding on the Holders of the Notes. All percentages resulting from any calculation on the Notes will be rounded to the nearest one hundred-thousandth of a percentage point,

and all dollar amounts used in or resulting from that calculation on the Note will be rounded to the nearest cent (with one-half cent being rounded upwards). The Calculation Agent may be removed by the Issuer at any time. If the Calculation Agent is unable or unwilling to act as such or is removed by the Issuer, the Issuer will promptly appoint as a replacement Calculation Agent a leading bank upon 30 days written notice which does not control or is not controlled by or under common control with the Issuer or its affiliates. The Calculation Agent may not resign its duties without a successor having been duly appointed.

*Payments on Book-Entry Notes.* Payments in respect of Book-Entry Notes will be made in immediately available funds to DTC, Euroclear, Clearstream or any other applicable clearing system, or their respective nominees, as the case may be, as the Holders thereof. All payments to or upon the order of the Holder of a Note will be valid and effective to discharge the liability of the Trust in respect of an Original Note or a MAC Note representing an interest in Exchangeable Notes. Ownership positions within each system referenced herein will be determined in accordance with the normal conventions observed by such system. The Indenture Trustee, the Exchange Administrator and the Note Registrar will not have any responsibility or liability for any aspect of the records relating to or payments made on account of beneficial ownership interests in a Book-Entry Note or for maintaining, supervising or reviewing any records relating to such beneficial ownership interests. Ownership of any Notes will be as indicated in the Note Register maintained by the Note Registrar.

*Payments on Definitive Notes.* Payments of principal and interest on a Definitive Note will be made by wire transfer of immediately available funds with a bank designated by the applicable Holder that is acceptable to the Indenture Trustee; and such transfer is permitted by any applicable law or regulation and will not subject the Indenture Trustee to any liability, requirement or unacceptable charge. In order for a Holder of Definitive Notes to receive payments, the Indenture Trustee must receive at their offices from such Holder (i) in the case of payments on a Payment Date, a written request not later than the close of business on the related Record Date and (ii) in the case of the final principal payment on the Maturity Date, the related Definitive Note not later than two Business Days prior to such Payment Date. Such written request and Definitive Note, if applicable, must be delivered to the Indenture Trustee, by mail, by hand delivery or by any other method acceptable to the Indenture Trustee. Any such request will remain in effect until the Indenture Trustee receives written notice to the contrary.

*Withholding Requirements.* In the event that any jurisdiction imposes any withholding or other tax on any payment made by the Indenture Trustee (or its agent, the Exchange Administrator, or any other person potentially required to withhold) with respect to a Note, the Indenture Trustee (or its agent, the Exchange Administrator, or such other person) will deduct the amount required to be withheld from such payment, and the Indenture Trustee (or its agent, the Exchange Administrator, or such other person) will not be required to pay additional interest or other amounts, or redeem or repay the Notes prior to the Scheduled Maturity Date, as a result. See “*Certain United States Federal Tax Consequences*”.

## **Priority of Payments**

On each Payment Date, the Indenture Trustee will apply the funds on deposit in the Distribution Account first, to the payment of the Credit Protection Payment due and payable by the Trust, if any, to us under the Credit Protection Agreement and second, to the payment of interest and principal on the Notes as described under “— *Interest*” and “— *Principal*” below. See “*The Agreements — The Indenture — Payment Date Statement*” for more information.

## **Scheduled Maturity Date and Early Redemption Date**

The Scheduled Maturity Date for the Notes will be the Payment Date in May 2043. The Notes will be subject to mandatory redemption prior to the Scheduled Maturity Date concurrent with the occurrence of a CPA Early Termination Date. See “*The Agreements — The Credit Protection Agreement — CPA Scheduled Termination Date and CPA Early Termination Date*”.

With respect to the Scheduled Maturity Date or an Early Redemption Date, as the case may be, the Indenture Trustee will (a) notify the Investment Manager and the Investment Manager will arrange for the liquidation of the Eligible Investments in the Custodian Account and the Custodian will deposit the proceeds thereof in the Custodian Account, (b) request the Custodian to deposit all funds held in the Custodian Account due and payable into the Distribution Account, (c) other than with respect to the Scheduled Maturity Date, give

notice of termination of the Credit Protection Agreement to the Protected Party (unless the Protected Party has declared a CPA Early Termination Date) for the related Payment Date (if the Credit Protection Agreement has not yet been terminated) and (d) demand payment from the Protected Party of any amounts due under the Credit Protection Agreement. The Issuer will be required on the Scheduled Maturity Date or Early Redemption Date, as the case may be, to apply any monies on deposit in the Distribution Account as described in “— *Interest*” and “— *Principal*” below.

## **Interest**

### ***Class Coupon***

Each Class of Notes will bear interest, and solely for purposes of calculating allocations of any Modification Gain Amounts or Modification Loss Amounts, the Class M-1H Reference Tranche will be deemed to bear interest calculated pursuant to the applicable Class Coupon formula shown in Table 1. The initial Class Coupons that will apply to the first Accrual Period are also set forth in Table 1. The Indenture Trustee will calculate the Class Coupon for the Notes and the Class M-1H Reference Tranche for each Accrual Period (after the first Accrual Period) on the applicable LIBOR Adjustment Date. The Indenture Trustee will determine One-Month LIBOR using the method described in the definition of One-Month LIBOR in the *Glossary of Significant Terms*. If ICE ceases to set or publish a rate for LIBOR and/or we determine that the customary method for determining LIBOR is no longer viable, we may elect to designate an alternative method or alternative index. In making an election to use any alternative method or index, we may take into account a variety of factors, including then-prevailing industry practices or other developments. We may also, for any period, apply an adjustment factor to any alternative method or index as we deem appropriate to better achieve comparability to the current index and other industry practices. See “*Risk Factors — Investment Factors and Risks Related to the Notes — LIBOR Levels Could Reduce the Yield on the Notes*”, “*— Uncertainty Relating to the Determination of LIBOR and the Potential Phasing Out of LIBOR after 2021 May Adversely Affect the Value of the Notes*” and “*— The Use of an Alternative Method or Index in Place of LIBOR for Determining Monthly Interest Rates May Adversely Affect the Value of Certain Notes*”.

### ***Interest Payment***

On each Payment Date through and including the Maturity Date, after paying the Credit Protection Payment, if any, due under the Credit Protection Agreement, the Trust will apply funds on deposit in the Distribution Account to pay the applicable Interest Payment Amount on each outstanding Class of Notes. The Interest Payment Amount will be calculated for each Class of Notes on the basis of the Class Principal Balance or Notional Principal Amount, as applicable, of the related Class of Notes immediately prior to such Payment Date. Interest will be calculated and payable on the basis of the actual number of days in the related Accrual Period and a 360-day year. Interest will be payable in arrears.

## **Principal**

On the Maturity Date the Trust will pay 100% of the Class Principal Balance as of such date for each Class of Original Notes outstanding (without regard to any exchanges of Exchangeable Notes for MAC Notes). On all other Payment Dates, the Trust will pay principal on each Class of Original Notes (in each case without regard to any exchanges of Exchangeable Notes for MAC Notes) in an amount equal to the portion of the Senior Reduction Amount and/or Subordinate Reduction Amount, as applicable, allocated to reduce the Class Notional Amount of the corresponding Class of Reference Tranche on such Payment Date pursuant to the terms of the hypothetical structure described under “— *Hypothetical Structure and Calculations with Respect to the Reference Tranches — Allocation of Senior Reduction Amount and Subordinate Reduction Amount*” below.

If on any Payment Date a Class of MAC Notes that is entitled to principal is outstanding, all principal amounts that are payable by the Trust on Exchangeable Notes that were exchanged for such MAC Notes (or any MAC Notes further exchanged for such MAC Notes pursuant to an applicable Combination) will be allocated to and payable on such MAC Notes in accordance with the exchange proportions applicable to the related Combination.

### **Reductions in Class Principal Balances of the Notes Due to Allocation of Tranche Write-down Amounts**

On each Payment Date on or prior to the Maturity Date, the Class Principal Balance of each Class of Original Notes will be reduced (in each case without regard to any exchanges of Exchangeable Notes for MAC Notes) without any corresponding payment of principal, by the amount of the reduction, if any, in the Class Notional Amount of the corresponding Class of Reference Tranche due to the allocation of the Tranche Write-down Amount to such Class of Reference Tranche on such Payment Date pursuant to the terms of the hypothetical structure described under “— *Hypothetical Structure and Calculations with Respect to the Reference Tranches*” below.

On each Payment Date that a Class of MAC Notes is outstanding, all Tranche Write-down Amounts that are allocable to Exchangeable Notes that were exchanged for such MAC Notes will be allocated to reduce the Class Principal Balances or Notional Principal Amounts, as applicable, of such MAC Notes (or any MAC Notes further exchanged for such MAC Notes pursuant to an applicable Combination) in accordance with the exchange proportions applicable to the related Combination.

### **Increases in Class Principal Balances of the Notes Due to Allocation of Tranche Write-up Amounts**

On each Payment Date on or prior to the Maturity Date, the Class Principal Balance of each Class of Original Notes will be increased (in each case without regard to any exchanges of Exchangeable Notes for MAC Notes) by the amount of the increase, if any, in the Class Notional Amount of the corresponding Class of Reference Tranche due to the allocation of the Tranche Write-Up Amount to such Class of Reference Tranche on such Payment Date pursuant to the terms of the hypothetical structure described under “— *Hypothetical Structure and Calculations with Respect to the Reference Tranches*” below.

On each Payment Date that a Class of MAC Notes is outstanding, all Tranche Write-up Amounts that are allocable to Exchangeable Notes that were exchanged for such MAC Notes will be allocated to increase the Class Principal Balances or Notional Principal Amounts, as applicable, of such MAC Notes (or any MAC Notes further exchanged for such MAC Notes pursuant to an applicable Combination) in accordance with the exchange proportions applicable to the related Combination.

### **Hypothetical Structure and Calculations with Respect to the Reference Tranches**

A hypothetical structure of Classes of Reference Tranches deemed to be backed by the Reference Pool has been established as indicated in the Transaction Diagram. The Credit Protection Agreement, pursuant to which we will purchase credit protection from the Trust with respect to the Reference Pool, will reference this hypothetical structure to calculate for each Payment Date the amount of the Credit Premium Payments we will make to the Trust and the Credit Protection Payments, if any, to be made by the Trust to us, upon the occurrence of certain specified Credit Events and Modification Events relating to the Reference Pool. The Indenture will also reference this hypothetical structure to calculate, for each Payment Date, (i) Tranche Write-down Amounts (or Tranche Write-up Amounts) or principal or notional amounts on the Notes as a result of Credit Events or Modification Events on the Reference Obligations, (ii) any reduction or increase in interest amounts on the Notes as a result of Modification Events on the Reference Obligations and (iii) principal payments to be made on the Notes by the Trust. See “*Transaction Diagram — Hypothetical Structure and Calculations with Respect to the Reference Tranches*” above.

#### ***Allocation of Tranche Write-down Amounts***

On each Payment Date on or prior to the Maturity Date, the Tranche Write-down Amount, if any, for such Payment Date, will be allocated, *first*, to reduce any Overcollateralization Amount for such Payment Date, until such Overcollateralization Amount is reduced to zero, and, *second*, to reduce the Class Notional Amount of each Class of Reference Tranche in the following order of priority, in each case until its Class Notional Amount is reduced to zero:

- (i) *first*, to the Class B-2 and Class B-2H Reference Tranches, *pro rata*, based on their Class Notional Amounts immediately prior to such Payment Date,



(ii) *second*, to the Class B-1 and Class B-1H Reference Tranches, *pro rata*, based on their Class Notional Amounts immediately prior to such Payment Date,

(iii) *third*, to the Class M-2B and Class M-2BH Reference Tranches, *pro rata*, based on their Class Notional Amounts immediately prior to such Payment Date,

(iv) *fourth*, to the Class M-2A and Class M-2AH Reference Tranches, *pro rata*, based on their Class Notional Amounts immediately prior to such Payment Date,

(v) *fifth*, to the Class M-1H Reference Tranche, and

(vi) *sixth*, to the Class A-H Reference Tranche, but only in an amount equal to the excess, if any, of the remaining unallocated Tranche Write-down Amount for such Payment Date over the Principal Loss Amount for such Payment Date attributable to *clause (d)* of the definition of “Principal Loss Amount”.

Because the Class M-2A, Class M-2B, Class B-1 and Class B-2 Notes correspond to the Class M-2A, Class M-2B, Class B-1 and Class B-2 Reference Tranches, respectively, any Tranche Write-down Amounts allocated to such Classes of Reference Tranches pursuant to the hypothetical structure will result in a corresponding reduction in the Class Principal Balances of the corresponding Classes of Notes, as applicable (in each case without regard to any exchanges of Exchangeable Notes for MAC Notes). If Exchangeable Notes have been exchanged for MAC Notes, all Tranche Write-down Amounts that are allocable to such exchanged Exchangeable Notes will be allocated to reduce the Class Principal Balances or Notional Principal Amounts, as applicable, of such MAC Notes (or any MAC Notes further exchanged for such MAC Notes pursuant to an applicable Combination) in accordance with the exchange proportions applicable to the related Combination.

With respect to each Payment Date, the Class Notional Amount for the Class A-H Reference Tranche will be increased by the excess, if any, of the Tranche Write-down Amount for such Payment Date over the Credit Event Amount for such Payment Date.

#### ***Allocation of Tranche Write-up Amounts***

On each Payment Date on or prior to the Maturity Date, the Tranche Write-up Amount, if any, for such Payment Date will be allocated to increase the Class Notional Amount of each Class of Reference Tranche in the following order of priority until the cumulative Tranche Write-up Amounts allocated to each such Class of Reference Tranche is equal to the cumulative Tranche Write-down Amounts previously allocated to such Class of Reference Tranche on or prior to such Payment Date,

(i) *first*, to the Class A-H Reference Tranche,

(ii) *second*, to the Class M-1H Reference Tranche,

(iii) *third*, to the Class M-2A and Class M-2AH Reference Tranches, *pro rata*, based on their Class Notional Amounts immediately prior to such Payment Date,

(iv) *fourth*, to the Class M-2B and Class M-2BH Reference Tranches, *pro rata*, based on their Class Notional Amounts immediately prior to such Payment Date,

(v) *fifth*, to the Class B-1 and Class B-1H Reference Tranches, *pro rata*, based on their Class Notional Amounts immediately prior to such Payment Date, and

(vi) *sixth*, to the Class B-2 and Class B-2H Reference Tranches, *pro rata*, based on their Class Notional Amounts immediately prior to such Payment Date.

Because the Class M-2A, Class M-2B, Class B-1 and Class B-2 Notes correspond to the Class M-2A, Class M-2B, Class B-1 and Class B-2 Reference Tranches, respectively, any Tranche Write-up Amounts allocated to such Classes of Reference Tranches pursuant to the hypothetical structure will result in a corresponding increase in the Class Principal Balances of the corresponding Classes of Notes, as applicable (in each case without regard to any exchanges of Exchangeable Notes for MAC Notes). If Exchangeable Notes have been exchanged for MAC Notes, all Tranche Write-up Amounts that are allocable to such exchanged Exchangeable Notes will be allocated to increase the Class Principal Balances or Notional Principal Amounts, as

applicable, of such MAC Notes (or any MAC Notes further exchanged for such MAC Notes pursuant to an applicable Combination) in accordance with the exchange proportions applicable to the related Combination.

The Write-up Excess will be available as overcollateralization to offset any Tranche Write-down Amounts on future Payment Dates prior to such Tranche Write-down Amounts being allocated to reduce the Class Notional Amounts of the Reference Tranches.

***Allocation of Modification Loss Amount***

On each Payment Date on or prior to the Maturity Date, the following will be computed prior to the allocation of the Modification Loss Amount:

- (i) the Preliminary Principal Loss Amount;
- (ii) the Preliminary Tranche Write-down Amount;
- (iii) the Preliminary Tranche Write-up Amount; and
- (iv) the Preliminary Class Notional Amount.

On each Payment Date on or prior to the Maturity Date, the Modification Loss Amount, if any, for such Payment Date, will be allocated to the Reference Tranches in the following order of priority:

*first*, to the Class B-2 and Class B-2H Reference Tranches, *pro rata*, based on their Class Notional Amounts immediately prior to such Payment Date, until the amount allocated to the Class B-2 Reference Tranche is equal to the Class B-2 Notes Interest Accrual Amount for such Payment Date;

*second*, to the Class B-2 and Class B-2H Reference Tranches, *pro rata*, based on their Preliminary Class Notional Amounts for such Payment Date, until the aggregate amount allocated to the Class B-2 and Class B-2H Reference Tranches is equal to the aggregate of the Preliminary Class Notional Amounts of the Class B-2 and Class B-2H Reference Tranches for such Payment Date;

*third*, to the Class B-1 and Class B-1H Reference Tranches, *pro rata*, based on their Class Notional Amounts immediately prior to such Payment Date, until the amount allocated to the Class B-1 Reference Tranche is equal to the Class B-1 Notes Interest Accrual Amount for such Payment Date;

*fourth*, to the Class B-1 and Class B-1H Reference Tranches, *pro rata*, based on their Preliminary Class Notional Amounts for such Payment Date, until the aggregate amount allocated to the Class B-1 and Class B-1H Reference Tranches is equal to the aggregate of the Preliminary Class Notional Amounts of the Class B-1 and Class B-1H Reference Tranches for such Payment Date;

*fifth*, to the Class M-2B and Class M-2BH Reference Tranches, *pro rata*, based on their Class Notional Amounts immediately prior to such Payment Date, until the amount allocated to the Class M-2B Reference Tranche is equal to the Class M-2B Notes Interest Accrual Amount for such Payment Date;

*sixth*, to the Class M-2A and Class M-2AH Reference Tranches, *pro rata*, based on their Class Notional Amounts immediately prior to such Payment Date, until the amount allocated to the Class M-2A Reference Tranche is equal to the Class M-2A Notes Interest Accrual Amount for such Payment Date;

*seventh*, to the Class M-2B and Class M-2BH Reference Tranches, *pro rata*, based on their Preliminary Class Notional Amounts for such Payment Date, until the aggregate amount allocated to the Class M-2B and Class M-2BH Reference Tranches is equal to the aggregate of the Preliminary Class Notional Amounts of the Class M-2B and Class M-2BH Reference Tranches for such Payment Date;

*eighth*, to the Class M-2A and Class M-2AH Reference Tranches, *pro rata*, based on their Preliminary Class Notional Amounts for such Payment Date, until the aggregate amount allocated to the Class M-2A and Class M-2AH Reference Tranches is equal to the aggregate of the Preliminary Class Notional Amounts of the Class M-2A and Class M-2AH Reference Tranches for such Payment Date;

*ninth*, to the Class M-1H Reference Tranche, until the amount allocated to the Class M-1H Reference Tranche is equal to the Interest Accrual Amount of the Class M-1H Reference Tranche for such Payment Date; and

*tenth*, to the Class M-1H Reference Tranche, until the amount allocated to the Class M-1H Reference Tranche is equal to the Preliminary Class Notional Amount of the Class M-1H Reference Tranche for such Payment Date.

Any amounts allocated to the Class M-2A, Class M-2B, Class B-1 or Class B-2 Reference Tranches in the *sixth*, *fifth*, *third* or *first* priority above on any Payment Date will result in a corresponding reduction of the Interest Payment Amount of the Class M-2A, Class M-2B, Class B-1 or Class B-2 Notes, as applicable (in each case without regard to any exchanges of Exchangeable Notes for MAC Notes) for such Payment Date. The Class M-1H Reference Tranche is allocated a reduction in Class Notional Amount for purposes of calculations in connection with the allocation of Modification Loss Amounts to the Mezzanine Reference Tranches and Junior Reference Tranches, and any such amounts allocated in the *ninth* or *tenth* priority above will not result in a corresponding reduction of the Interest Payment Amount or Class Principal Balance of any Class of Notes. With respect to (A) any Class M-2A and Class M-2B Notes that have been exchanged for Class M-2 Notes, (B) any Class M-2 Notes that have been exchanged for any of (i) the Class M-2I and Class M-2R Notes, (ii) the Class M-2I and Class M-2S Notes, (iii) the Class M-2I and Class M-2T Notes, or (iv) the Class M-2I and Class M-2U Notes, respectively, (C) the Class M-2A Notes that have been exchanged for any of (i) the Class M-2AI and Class M-2AR Notes, (ii) the Class M-2AI and Class M-2AS Notes, (iii) the Class M-2AI and Class M-2AT Notes, or (iv) the Class M-2AI and Class M-2AU Notes, respectively, or (D) the Class M-2B Notes that have been exchanged for any of (i) the Class M-2BI and Class M-2BR Notes, (ii) the Class M-2BI and Class M-2BS Notes, (iii) the Class M-2BI and Class M-2BT Notes, or (iv) the Class M-2BI and Class M-2BU Notes, respectively, any Modification Loss Amount that is allocable in the *fifth* or *sixth* priority above on any Payment Date to such exchanged Exchangeable Notes will be allocated to reduce the Interest Payment Amounts, as applicable, of such MAC Notes for such Payment Date, *pro rata*, based on their Interest Accrual Amounts. Any amounts allocated to any of the Reference Tranches in the *second*, *fourth*, *seventh*, *eighth* or *tenth* priority above will be included in the Principal Loss Amount for the related Payment Date.

#### ***Allocation of Modification Gain Amount***

On each Payment Date on or prior to the Maturity Date, the Modification Gain Amount, if any, for such Payment Date will be allocated in the following order of priority:

*first*, to the Class M-1H Reference Tranche, until the amount allocated to the Class M-1H Reference Tranche is equal to the cumulative amount of unreimbursed Modification Loss Amounts allocated to reduce the Interest Accrual Amount on the Class M-1H Reference Tranche on all prior Payment Dates;

*second*, to the Class M-2A and Class M-2AH Reference Tranches, *pro rata*, based on their Class Notional Amounts immediately prior to such Payment Date, until the amount allocated to the Class M-2A Reference Tranche is equal to the cumulative amount of unreimbursed Modification Loss Amounts allocated to reduce the Interest Payment Amount on the Class M-2A Notes on all prior Payment Dates;

*third*, to the Class M-2B and Class M-2BH Reference Tranches, *pro rata*, based on their Class Notional Amounts immediately prior to such Payment Date, until the amount allocated to the Class M-2B Reference Tranche is equal to the cumulative amount of unreimbursed Modification Loss Amounts allocated to reduce the Interest Payment Amount on the Class M-2B Notes on all prior Payment Dates;

*fourth*, to the Class B-1 and Class B-1H Reference Tranches, *pro rata*, based on their Class Notional Amounts immediately prior to such Payment Date, until the amount allocated to the Class B-1 Reference Tranche is equal to the cumulative amount of unreimbursed Modification Loss Amounts allocated to reduce the Interest Payment Amount on the Class B-1 Notes on all prior Payment Dates;

*fifth*, to the Class B-2 and Class B-2H Reference Tranches, *pro rata*, based on their Class Notional Amounts immediately prior to such Payment Date, until the amount allocated to the Class B-2 Reference Tranche is equal to the cumulative amount of unreimbursed Modification Loss Amount allocated to reduce the Interest Payment Amount on the Class B-2 Notes on all prior Payment Dates; and

*sixth*, to the most subordinate Classes of Reference Tranches outstanding, *pro rata*, based on their Class Notional Amounts immediately prior to such Payment Date.

Any amounts allocated to the Class M-2A, Class M-2B, Class B-1 or Class B-2 Reference Tranches above on any Payment Date will result in a corresponding increase of the Interest Payment Amount of the Class M-2A, Class M-2B, Class B-1 or Class B-2 Notes, as applicable (in each case without regard to any exchanges of Exchangeable Notes for MAC Notes) for such Payment Date. If (A) the Class M-2A and Class M-2B Notes have been exchanged for the Class M-2 Notes, (B) the Class M-2 Notes have been exchanged for any of (i) the Class M-2I and Class M-2R Notes, (ii) the Class M-2I and Class M-2S Notes, (iii) the Class M-2I and Class M-2T Notes, or (iv) the Class M-2I and Class M-2U Notes, respectively, (C) the Class M-2A Notes have been exchanged for any of (i) the Class M-2AI and Class M-2AR Notes, (ii) the Class M-2AI and Class M-2AS Notes, (iii) the Class M-2AI and Class M-2AT Notes, or (iv) the Class M-2AI and Class M-2AU Notes, respectively, or (D) the Class M-2B Notes have been exchanged for any of (i) the Class M-2BI and Class M-2BR Notes, (ii) the Class M-2BI and Class M-2BS Notes, (iii) the Class M-2BI and Class M-2BT Notes, or (iv) the Class M-2BI and Class M-2BU Notes, respectively, any Modification Gain Amount that is allocable to such exchanged Exchangeable Notes on any Payment Date will be allocated to increase the Interest Payment Amounts, as applicable, of such MAC Notes for such Payment Date, *pro rata*, based on their Interest Accrual Amounts.

***Allocation of Senior Reduction Amount and Subordinate Reduction Amount***

On each Payment Date prior to the Maturity Date, after allocation of the Tranche Write-down Amount or Tranche Write-up Amount, if any, for such Payment Date as described under “— *Allocation of Tranche Write-down Amounts*” and “— *Allocation of Tranche Write-up Amounts*” above, the Senior Reduction Amount will be allocated to reduce the Class Notional Amount of each Class of Reference Tranche in the following order of priority, in each case until its Class Notional Amount is reduced to zero:

- (i) *first*, to the Class A-H Reference Tranche,
- (ii) *second*, to the Class M-1H Reference Tranche,
- (iii) *third*, to the Class M-2A and Class M-2AH Reference Tranches, *pro rata*, based on their Class Notional Amounts immediately prior to such Payment Date,
- (iv) *fourth*, to the Class M-2B and Class M-2BH Reference Tranches, *pro rata*, based on their Class Notional Amounts immediately prior to such Payment Date,
- (v) *fifth*, to the Class B-1 and Class B-1H Reference Tranches, *pro rata*, based on their Class Notional Amounts immediately prior to such Payment Date, and
- (vi) *sixth*, to the Class B-2 and Class B-2H Reference Tranches, *pro rata*, based on their Class Notional Amounts immediately prior to such Payment Date.

On each Payment Date prior to the Maturity Date, after allocation of the Senior Reduction Amount and the Tranche Write-down Amount or Tranche Write-up Amount, if any, for such Payment Date as described under “— *Allocation of Tranche Write-down Amounts*” and “— *Allocation of Tranche Write-up Amounts*” above, the Subordinate Reduction Amount will be allocated to reduce the Class Notional Amount each Class of Reference Tranche in the following order of priority, in each case until its Class Notional Amount is reduced to zero:

- (i) *first*, to the Class M-1H Reference Tranche,
- (ii) *second*, to the Class M-2A and Class M-2AH Reference Tranches, *pro rata*, based on their Class Notional Amounts immediately prior to such Payment Date,
- (iii) *third*, to the Class M-2B and Class M-2BH Reference Tranches, *pro rata*, based on their Class Notional Amounts immediately prior to such Payment Date,
- (iv) *fourth*, to the Class B-1 and Class B-1H Reference Tranches, *pro rata*, based on their Class Notional Amounts immediately prior to such Payment Date,
- (v) *fifth*, to the Class B-2 and Class B-2H Reference Tranches, *pro rata*, based on their Class Notional Amounts immediately prior to such Payment Date, and
- (vi) *sixth*, to the Class A-H Reference Tranche.

Because the Class M-2A, Class M-2B, Class B-1 and Class B-2 Notes correspond to the Class M-2A, Class M-2B, Class B-1 and Class B-2 Reference Tranches, respectively, any Senior Reduction Amount and/or Subordinate Reduction Amount, as applicable, allocated to the Class M-2A, Class M-2B, Class B-1 or Class B-2 Reference Tranche pursuant to the hypothetical structure will result in a corresponding payment of principal to the Class M-2A, Class M-2B, Class B-1 or Class B-2 Notes, as applicable (in each case without regard to any exchanges of Exchangeable Notes for MAC Notes). If Exchangeable Notes have been exchanged for MAC Notes, all principal amounts that are payable on such exchanged Exchangeable Notes will be allocated to and payable on such MAC Notes (including any MAC Notes further exchanged for such MAC Notes pursuant to an applicable Combination) that are entitled to principal in accordance with the exchange proportions applicable to the related Combination.

## MAC NOTES

The characteristics of the MAC Classes and the available Combinations of Exchangeable Notes and MAC Notes are described in Table 2.

### Exchanges

An exchange of Classes within a Combination will be permitted at any time on or after the Initial Exchange Date, subject to the following constraints:

- The Classes must be exchanged in the applicable “exchange proportions” shown in Table 2. As described below, these are based on the *original* Class Principal Balances (or *original* Notional Principal Amounts, if applicable) of the Original Classes or MAC Classes, as applicable.
- The aggregate Class Principal Balance (rounded to whole dollars) of the Notes received in the exchange, immediately after the exchange, must equal that of the Notes surrendered for exchange immediately before the exchange (for this purpose, the Notional Principal Amount of any Interest Only MAC Note always equals \$0).
- The aggregate “annual interest amount” (rounded to whole dollars) of the Notes received in the exchange must equal that of the Notes surrendered for exchange. The annual interest amount for any Note equals its outstanding Class Principal Balance or Notional Principal Amount times its Class Coupon. The annual interest amount for the Classes received and the Classes surrendered must be equal at all levels of LIBOR.

We base “exchange proportions” on the *original*, rather than on the *outstanding*, Class Principal Balance or Notional Principal Amount of the Classes.

Table 2 describes the characteristics of the MAC Classes and the available Combinations of Exchangeable Notes and MAC Notes. The specific Classes of Exchangeable Notes and MAC Notes that are outstanding at any given time, and the outstanding Class Principal Balances or Notional Principal Amounts of those Classes, will vary depending on payments on or write-ups or write-downs of those Classes and any exchanges that have occurred. Exchanges of Exchangeable Notes for MAC Notes (or of MAC Notes for other MAC Notes pursuant to an applicable Combination), and vice versa, may occur repeatedly. MAC Notes receive interest payments from their related Exchangeable Notes at their applicable Class Coupons. If on the Maturity Date or any Payment Date a Class of MAC Notes that is entitled to principal is outstanding, all principal amounts that are payable on Exchangeable Notes that were exchanged for such MAC Notes will be allocated to, and payable on, such MAC Notes in accordance with the exchange proportions applicable to the related Combination.

In the event that Class M-2A or Class M-2B Notes have been exchanged for MAC Notes (including any MAC Notes further exchanged for other MAC Notes pursuant to an applicable Combination), the Holders of such MAC Notes will be entitled to exercise all the voting rights that are allocated to such exchanged Class M-2A or Class M-2B Notes and the Class Principal Balances or Notional Principal Amounts, as applicable,



of such MAC Notes will be used to determine if the requisite percentage of Holders under the Indenture has voted or given direction; provided that with respect to:

- any outstanding MAC Notes exchanged for Class M-2 Notes in Combination 2, 3, 4 or 5 described in Table 2, the Class M-2I Notes so exchanged will be entitled to exercise 1% of the total voting rights that were allocated to the exchanged Class M-2A and Class M-2B Notes that were exchanged for the Class M-2 Notes and the Class M-2R, Class M-2S, Class M-2T or Class M-2U Notes so exchanged will be entitled to exercise 99% of the total voting rights that were allocated to the Class M-2A and Class M-2B Notes that were exchanged for the Class M-2 Notes;
- any outstanding MAC Notes exchanged for Class M-2A Notes in Combination 6, 7, 8 or 9 described in Table 2, the Class M-2AI Notes so exchanged will be entitled to exercise 1% of the total voting rights that were allocated to such exchanged Class M-2A Notes and the Class M-2AR, Class M-2AS, Class M-2AT or Class M-2AU Notes so exchanged will be entitled to exercise 99% of the total voting rights that were allocated to such exchanged Class M-2A Notes; and
- any outstanding MAC Notes exchanged for Class M-2B Notes in Combination 10, 11, 12 or 13 described in Table 2, the Class M-2BI Notes so exchanged will be entitled to exercise 1% of the total voting rights that were allocated to such exchanged Class M-2B Notes and the Class M-2BR, Class M-2BS, Class M-2BT or Class M-2BU Notes so exchanged will be entitled to exercise 99% of the total voting rights that were allocated to such exchanged Class M-2B Notes.

If the Class M-2 Notes have been exchanged for other Classes of MAC Notes pursuant to Combination 2, 3, 4 or 5, the Classes of MAC Notes held after the exchange will be treated in the same manner as if the Class M-2 Notes had been exchanged directly for the Class M-2A and Class M-2B Notes and then the Class M-2A and Class M-2B Notes had been exchanged pursuant to (i) Combinations 6 and 10, in the case of Combination 2, (ii) Combinations 7 and 11, in the case of Combination 3, (iii) Combinations 8 and 12, in the case of Combination 4 and (iv) Combinations 9 and 13, in the case of Combination 5.

### ***Exchange Procedures***

Other than the deemed exchanges on the Closing Date, an exchange of Notes will be permitted at any time on or after the Initial Exchange Date subject to the procedures described below. In order to effect an exchange of Notes (except with respect to the deemed exchange on the Closing Date of the Class M-2A and Class M-2B Notes in whole or in part, as applicable, for the Class M-2 Notes), the Holder will notify the Exchange Administrator in writing delivered by e-mail at [sfs.exchange@usbank.com](mailto:sfs.exchange@usbank.com), and in accordance with the requirements set forth in the Indenture, no later than two Business Days before the proposed exchange date. The exchange date with respect to any such exchange can be any Business Day on or after the Initial Exchange Date other than the first or last Business Day of the month, a Payment Date, the Record Date related to the next Payment Date or the Business Day following such Record Date. The notice must be on the Holder's letterhead, carry a medallion stamp guarantee and set forth the following information: (i) the CUSIP number of each Exchangeable Note or Notes or MAC Note or Notes (as applicable) to be exchanged and of each Exchangeable Note or Notes or MAC Note or Notes (as applicable) to be received; (ii) the outstanding Class Principal Balance (or Notional Principal Amount) and the original Class Principal Balance (or Notional Principal Amount) of the Notes to be exchanged; (iii) the Holder's DTC participant numbers to be debited and credited; and (iv) the proposed exchange date. After receiving the notice, the Exchange Administrator will e-mail the Holder with wire payment instructions relating to the exchange fee. The Holder will utilize the "Deposit and Withdrawal System" at DTC to exchange the Notes. A notice becomes irrevocable on the second Business Day before the proposed exchange date.

A fee will be payable by the exchanging Holder to the Exchange Administrator in connection with each exchange (except with respect to the deemed exchange on the Closing Date of the Class M-2A and Class M-2B Notes in whole or in part, as applicable, for the Class M-2 Notes), equal to \$5,000. Such fee must be received by the Exchange Administrator prior to the exchange date or such exchange will not be effected. In addition, any Holder wishing to effect an exchange must pay any other expenses related to such exchange, including any fees charged by DTC.

The Exchange Administrator (unless the Exchange Administrator is the Indenture Trustee) will notify the Indenture Trustee with respect to any exchanges of Notes at the time of such exchange.

The Exchange Administrator will notify the Issuer with respect to any exchanges of Notes at the time of such exchange.

The Indenture Trustee will make the first payment on any Exchangeable Note or MAC Note received by a Holder in an exchange transaction on the Payment Date related to the next Record Date following the exchange; provided, however, that with respect to the deemed exchange on the Closing Date of the Class M-2A and Class M-2B Notes in whole or in part, as applicable, for the Class M-2 Notes, the first payment on the Class M-2 Notes shall be on the Payment Date occurring in June 2018.

## **THE AGREEMENTS**

The following summary describes certain provisions of the Credit Protection Agreement, the Indenture, the Investment Management Agreement, the Securities Account Control Agreement and the Administration Agreement not otherwise described in this Memorandum.

### **The Credit Protection Agreement**

#### ***General***

On the Closing Date, the Trust will enter into the Credit Protection Agreement with us pursuant to which the Trust will sell credit protection to us with respect to the Reference Pool.

Subject to the following paragraph, the Credit Protection Agreement will require us to pay the applicable Credit Premium Payment and Credit Protection Reimbursement Payment to the Trust on the Business Day immediately preceding each Payment Date. See “— *Credit Protection Agreement Payments — Payments by Freddie Mac*” below. On any Payment Date on which a Tranche Write-down Amount has been allocated to any Class of Reference Tranche corresponding to a Class of Notes and which reduces the Class Principal Balance of any corresponding outstanding Class of Notes, the Credit Protection Agreement will require the Indenture Trustee, acting on behalf of the Trust, to make a Credit Protection Payment to us if the conditions to payment, as described below, are satisfied.

The Credit Protection Agreement will permit netting of the Credit Protection Payment due on any Payment Date against the Credit Premium Payment and Credit Protection Reimbursement Payment due on the Business Day immediately prior to such Payment Date. As a result, only one party will actually make a payment to the other in any given calendar month.

#### ***Reference Pool***

The Trust will have credit exposure to the Reference Obligations. However, if a Reference Obligation does not meet the Eligibility Criteria on the Closing Date or because it otherwise is ineligible to be a Reference Obligation, such Reference Obligation will be removed from the Reference Pool as and when provided in the Credit Protection Agreement and thereafter, the Trust will have no credit exposure with respect to such Reference Obligation.

#### ***Credit Protection Agreement Payments***

***Conditions Precedent.*** The respective obligations of us and the Trust to pay any amount due under the Credit Protection Agreement will be subject to the following conditions precedent: (i) no event of default (or event that with the giving of notice or lapse of time or both would become an event of default) will have occurred and be continuing under the Credit Protection Agreement and (ii) no CPA Early Termination Date will have been designated. However, these conditions precedent will not apply to any amount payable in connection with the CPA Early Termination Date. (As noted previously, payments in connection with the CPA Early Termination Date will not include a mark-to-market termination payment.)

***Payments by Freddie Mac.*** Under the Credit Protection Agreement, subject to netting against the Credit Protection Payment to become due on the related Payment Date, on the Business Day prior to each Payment

Date, we will be required to pay the applicable Credit Premium Payment and the applicable Credit Protection Reimbursement Payment, if any, to the Trust. In the event we fail to pay the Credit Premium Payment and/or Credit Protection Reimbursement Payment when due and fail to cure any such nonpayment for a period of 30 days after receipt of written notice, such failure will constitute an event of default under the Credit Protection Agreement that will entitle the Trust to designate a CPA Early Termination Date. The early termination of the Credit Protection Agreement will result in a redemption of the Notes on the related Early Redemption Date.

*Payments by the Trust.* Under the Credit Protection Agreement, subject to netting against the Credit Premium Payment and Credit Protection Reimbursement Payment payable by us on the Business Day immediately preceding any Payment Date, following the occurrence of a Credit Event or Modification Event with respect to such Payment Date on which a Tranche Write-down Amount has been allocated to reduce the Class Principal Balance of any outstanding Class of Notes and delivery to the Indenture Trustee of the applicable “Reference Pool File” and “Monthly P&I Constant File” (or other report which indicates that a Credit Protection Payment is due), the Credit Protection Agreement will require the Trust to pay to us the applicable Credit Protection Payment on such Payment Date. In the event the Trust fails to pay the Credit Protection Payment when due and fails to cure any such nonpayment for a period of 30 days after receipt of written notice, such failure will constitute an event of default under the Credit Protection Agreement that will entitle us to designate a CPA Early Termination Date. The early termination of the Credit Protection Agreement will result in a redemption of the Notes on the related Early Redemption Date.

The Indenture will require the Trust to pay any Credit Protection Payment payable to us on a Payment Date prior to making any payments owed by the Trust to the Notes on such Payment Date.

The payment obligations of the Trust under the Credit Protection Agreement are limited to amounts available in the Distribution Account and Custodian Account.

#### ***CPA Scheduled Termination Date and CPA Early Termination Date***

The CPA Scheduled Termination Date will be the Payment Date in May 2043. The Credit Protection Agreement will be subject to early termination prior to the CPA Scheduled Termination Date on any CPA Early Termination Date designated in connection with the occurrence of an event of default under the Credit Protection Agreement or a CPA Early Termination Event, in each case, subject to applicable notice and cure periods, if any. Our final payment obligations under the Credit Protection Agreement will be due on the day prior to the CPA Termination Date and the Trust’s final payment obligations under the Credit Protection Agreement will be due on the CPA Termination Date. The performance of the Reference Pool during the period commencing at the end of the final Reporting Period and continuing until the CPA Termination Date will be disregarded under the Credit Protection Agreement for purposes of calculating such final payment obligations.

The events of default under the Credit Protection Agreement include: (a) a payment default by us or the Trust under the Credit Protection Agreement lasting for at least 30 days after notice, (b) a default by us in respect of our payment obligations under the Administration Agreement (subject to any applicable grace periods), (c) certain insolvency-related events applicable to us or the Trust (provided that the current appointment of the Federal Housing Finance Agency as our conservator will not constitute an event of default under the Credit Protection Agreement) and (d) a merger or analogous event by the Trust or us without a corresponding assumption of the Trust’s or our obligations under the Credit Protection Agreement. For the avoidance of doubt, the “Breach of Agreement,” “Credit Support Default,” “Misrepresentation” and “Default under Specified Transaction” events of default contained in the pre-printed form of 1992 ISDA Master Agreement (Multicurrency-Cross Border) will not apply to the Credit Protection Agreement. The CPA Early Termination Events include: (a) an Illegality, (b) a Tax Event, (c) a Tax Event Upon Merger, and (d) the CPA Additional Termination Events specified in the “*Glossary of Significant Terms*”. For the avoidance of doubt, the “Credit Event Upon Merger” termination event contained in the pre-printed form of 1992 ISDA Master Agreement (Multicurrency-Cross Border) will not apply to the Credit Protection Agreement.

If a CPA Early Termination Event occurs, the Affected Party will, promptly upon becoming aware of the CPA Early Termination Event, notify the other party, specifying the nature of the CPA Early Termination Event. Following the occurrence of and continuance of an event of default under the Credit Protection Agreement or a CPA Early Termination Event, the non-defaulting party (in the case of an event of default under the Credit

Protection Agreement), either party (in the case of an Illegality), the Burdened Party (in the case of a Tax Event Upon Merger), any Affected Party (in the case of a Tax Event or a CPA Additional Termination Event in respect of which there is more than one Affected Party) or the party which is not the Affected Party (in the case of a CPA Additional Termination Event in respect of which there is only one Affected Party), may designate the Payment Date described in the next paragraph, as the CPA Early Termination Date. With respect to a CPA Additional Termination Event resulting from the occurrence of an acceleration of the maturity of the Notes in accordance with the Indenture, there are two Affected Parties. Accordingly, we and/or the Trust will be entitled to designate a CPA Early Termination Date with respect thereto. However, with respect to every other CPA Additional Termination Event, the Trust is the only Affected Party and accordingly, we (and not the Trust) will be the only party entitled to designate a CPA Early Termination Date with respect thereto.

If a notice designating a CPA Early Termination Date is given with respect to either an event of default under the Credit Protection Agreement or a CPA Early Termination Event, the CPA Early Termination Date will occur on the first Payment Date following the date on which such notice becomes effective, unless such notice becomes effective five (5) Business Days or less prior to such Payment Date, in which case the Early Termination Date will occur on the second Payment Date following the date on which such notice becomes effective, in each case, whether or not the relevant event of default or CPA Early Termination Event is then continuing. In connection with a CPA Early Termination Date, no further payments, other than any unpaid amounts that become payable on or prior to the CPA Early Termination Date together with interest on any overdue amounts, will be required to be made under the Credit Protection Agreement. If a CPA Early Termination Date has been designated, our final payment obligations under the Credit Protection Agreement will be due on the day prior to the CPA Early Termination Date, and the Trust's final payment obligations under the Credit Protection Agreement will be due on the CPA Early Termination Date. For the avoidance of doubt, no termination payments will be made that reflect the mark-to-market value of the Credit Protection Agreement.

The Indenture provides that if a CPA Early Termination Date is designated the Notes will be redeemed on such CPA Early Termination Date. Holders of Notes purchased at a premium or Holders of Interest Only Notes may not recover their investments in any such Notes if a CPA Early Termination Date occurs. See "*Description of the Notes — Scheduled Maturity Date and Early Redemption Date*".

#### ***Amendment to and Assignment of the Credit Protection Agreement***

No amendment, modification or waiver in respect of the Credit Protection Agreement will be effective unless it is in writing and signed by both parties to the Credit Protection Agreement. See "*The Agreements — The Indenture — Amendments*" for a description of the authority of the Indenture Trustee with respect to an amendment of the Credit Protection Agreement.

Subject to certain requirements that the parties use reasonable efforts to effect a transfer to avoid a CPA Early Termination Event as a result of either an Illegality or a Tax Event, neither the Credit Protection Agreement nor any interest or obligation in or under the Credit Protection Agreement may be transferred (whether by way of security or otherwise) by either party without the prior written consent of the other party (in the case of a transfer by the Trust) or in the case of a transfer by us, with the prior written consent of all Holders of outstanding Notes, except that:—

(a) a party may make such a transfer of the Credit Protection Agreement pursuant to a consolidation or amalgamation with, or merger with or into, or transfer of all or substantially all its assets to, another entity (but without prejudice to any other right or remedy under the Credit Protection Agreement); and

(b) a party may make such a transfer of all or any part of its interest in any amount payable to it from a defaulting party upon an event of default under the Credit Protection Agreement.

Any purported transfer that is not in compliance with the foregoing terms and conditions will be void.

#### ***Governing Law***

The Credit Protection Agreement will be governed by the laws of the State of New York.

## **The Indenture**

### ***General***

On the Closing Date, the Trust, as Issuer, and U.S. Bank, in its capacity as Indenture Trustee, Custodian and Exchange Administrator, will enter into the Indenture to provide for the issuance of the Notes and the Grant of the Collateral and to make provisions for securing the payment of amounts payable to the Protected Party and the Holders. See “*The Notes*” above for additional information about the issuance of the Notes by the Trust pursuant to the Indenture.

### ***Grant of the Collateral***

Pursuant to the Indenture, the Issuer will Grant to the Indenture Trustee on the Closing Date, for the benefit of the Secured Parties, in each case as their interests may appear, all of the Issuer’s right, title and interest in, to and under, whether now owned or existing, or hereafter acquired or arising, the (a) the Distribution Account, (b) the Custodian Account, (c) all Eligible Investments (including, without limitation, any interest of the Issuer in the Custodian Account and any amounts from time to time on deposit therein) purchased with funds on deposit in the Custodian Account and all income from the investment of funds therein, (d) the Securities Account Control Agreement, (e) the Investment Management Agreement, (f) all accounts, general intangibles, chattel paper, instruments, documents, good, money, investment property, deposit accounts, letters of credit, letter-of-credit rights, consisting of, arising from, or relating to, any of the foregoing and (g) all proceeds, accessions, profits, income, benefits, substitutions and replacements, whether voluntary or involuntary, of and to any of the property of the Issuer described in the preceding clauses. Such Grant will be made, in trust, to secure (a) the payment of all amounts payable by the Issuer to the Protected Party under the Credit Protection Agreement and (b) the Notes equally and ratably without prejudice, priority or distinction between any Class and any other Class, except as expressly provided in the Indenture; provided that such Grant for the benefit of the Notes is subordinate to the Grant for the benefit of the Protected Party.

In addition, the Issuer will Grant to the Indenture Trustee on the Closing Date, for the benefit of the Holders of the Notes all of the Issuer’s right, title and interest in, to and under, whether now owned or existing, or hereafter acquired or arising, (a) the Credit Protection Agreement and all payments to the Issuer thereunder or with respect thereto, (b) all accounts, general intangibles, chattel paper, instruments, documents, goods, money, investment property, deposit accounts, letters of credit, letter-of-credit rights, consisting of, arising from, or relating to, any of the foregoing, and (c) all proceeds, accessions, profits, income, benefits, substitutions and replacements, whether voluntary or involuntary, of and to any of the property of the Issuer described in the preceding clauses.

Except to the extent otherwise provided in the Indenture, the Indenture will constitute a security agreement under the laws of the State of Delaware applicable to agreements made and to be performed therein. Upon the occurrence of any Event of Default, and in addition to any other rights available under the Indenture or any other instruments included in the Collateral held for the benefit and security of the Secured Parties or otherwise available at law or in equity, the Indenture Trustee will have all rights and remedies of a secured party on default under the laws of the State of Delaware and other applicable law to enforce the assignments and security interests contained in the Indenture and, in addition, will have the right, subject to compliance with any mandatory requirements of applicable law, to sell or apply any rights and other interests assigned or pledged thereby in accordance with the terms thereof at public or private sale.

Pursuant to the Indenture, the Indenture Trustee will acknowledge the Grants described in the foregoing paragraphs and will accept the trusts under and in accordance with the provisions of the Indenture.

### ***Secured Parties’ Relations; Subordination***

Pursuant to the Indenture, the Holders of each Class of Notes and the Issuer will agree, for the benefit of the Protected Party, that the rights of each Class of Notes and the Issuer’s rights in and to the Collateral will be



subordinate and junior to the rights of the Protected Party with respect to payments to be made to the Protected Party to the extent and in the manner described herein. In addition,

(i) the Issuer and the Holders of the Class B-2 Notes will agree, for the benefit of the Class B-1 and Class M Notes, to the extent issued and outstanding, that the Class B-2 Notes and the Issuer's rights in and to the Collateral and the Additional Collateral will be subordinate and junior to the Class B-1 and Class M Notes;

(ii) the Issuer and the Holders of the Class B-1 Notes will agree, for the benefit of the Class M Notes, to the extent issued and outstanding, that the Class B-1 Notes and the Issuer's rights in and to the Collateral and the Additional Collateral will be subordinate and junior to the Class M Notes; and

(iii) the Issuer and the Holders of the Class M-2B Notes will agree, for the benefit of the Class M-2A Notes and any MAC Notes exchanged for such Class of Notes (or further exchanged for such related MAC Notes), to the extent issued and outstanding, that the Class M-2B Notes and any MAC Notes exchanged for such Class of Notes (or further exchanged for such related MAC Notes) and the Issuer's rights in and to the Collateral and the Additional Collateral will be subordinate and junior to the Class M-2A Notes and any MAC Notes exchanged for such Class of Notes (or further exchanged for such related MAC Notes).

If any Indenture Event of Default has not been cured or waived and acceleration occurs as a result of an Indenture Event of Default or the Maturity Date occurs, each Class of Notes outstanding will be paid in accordance with the priorities in clauses (i) through (iii) above. If Exchangeable Notes have been exchanged for MAC Notes, the MAC Notes will be subordinate to the extent of the subordination of the Exchangeable Notes.

### ***Standard of Conduct***

In exercising any of its or their voting rights, rights to direct and consent or any other rights as a Secured Party under the Indenture, a Secured Party or the Secured Parties will not have any obligation or duty to any person or to consider or take into account the interests of any person and shall not be liable to any person for any action taken by it or them or at its or their direction or any failure by it or them to act or to direct that an action be taken, without regard to whether such action or inaction benefits or adversely affects any Secured Party, the Issuer, or any other person.

### ***Accounts, Accountings and Reports***

*General.* Each of the Indenture Trustee and Custodian will segregate and hold all such money and property received by it for the benefit of the Secured Parties as described above in “— *Secured Parties' Relations; Subordination*”. Except as otherwise expressly provided in the Indenture, if any default occurs in the making of any payment or performance under any agreement or instrument that is part of the Collateral or the Additional Collateral, the Indenture Trustee may and, if directed to do so by the Protected Party (so long as such default is not caused by the Protected Party's default under the Credit Protection Agreement and in respect of any Collateral and Additional Collateral other than the Issuer's rights under the Credit Protection Agreement) or by a majority of the aggregate outstanding Class Principal Balance of the Original Notes (without giving effect to exchanges) (in respect of such rights), will take such action as so directed to take to enforce such payment or performance, including the institution and prosecution of appropriate Proceedings. Any such action will be without prejudice to any right to claim the occurrence of an Indenture Event of Default and any right to proceed with respect thereto as described in “— *Indenture Events of Default*” below.

#### ***Accounts***

The Indenture Trustee will, on or prior to the Closing Date, cause the Distribution Account to be established and held in the name of the Indenture Trustee for the benefit of the Secured Parties. The Distribution Account must be an Eligible Account. The Indenture Trustee will from time to time deposit into the Distribution Account (i) all earnings on Eligible Investments, (ii) all Protected Party Payments and (iii) any net proceeds from the sale, maturity or other liquidation of Collateral as described in “— *Indenture Events of Default — Remedies; Liquidation of Collateral*” below.

The Custodian will, on or prior to the Closing Date, cause the Custodian Account to be established and held in the name of the Custodian for the benefit of the Secured Parties. The Custodian will deposit the net proceeds of the offering of the Notes into the Custodian Account and the Investment Manager will cause the purchase of Eligible Investments pursuant to the Investment Management Agreement. Amounts on deposit in the Custodian Account may be used to purchase only Eligible Investments.

All amounts deposited in the Custodian Account, together with any investment property in which funds included in such property are or will be invested or reinvested, and any income or other gain realized from such investments, will be held by the Custodian as part of the Collateral subject to disbursement and withdrawal as described in “*The Agreements — The Credit Protection Agreement — Credit Protection Agreement Payments*” and “— *Interest*” and “— *Principal*” above. Such amounts will be invested pursuant to the terms of the Investment Management Agreement.

With respect to each Payment Date prior to the Maturity Date, the earnings (including the aggregate amount of realized principal gains less any losses) on Eligible Investments during the prior calendar month will be reported to the Indenture Trustee and Protected Party by the fifth Business Day of each month and included in the calculation of the Credit Premium Payment due with respect to such Payment Date. With respect to the Maturity Date, the earnings (including the aggregate amount of realized principal gains less any losses) on Eligible Investments during the prior calendar month and the then-current month will be included in the calculation of the Credit Premium Payment due with respect to the Maturity Date. The Indenture Trustee will not in any way be held liable by reason of any insufficiency of such amounts held in the Distribution Account resulting from any loss relating to any such Eligible Investments.

On each Payment Date, the Indenture Trustee will distribute amounts held in the Distribution Account as described in “*The Agreements — The Credit Protection Agreement — Credit Protection Agreement Payments*” and “— *Interest*” and “— *Principal*” above. Any amounts remaining in the Distribution Account after such distributions will be transferred to the Custodian Account and reinvested in Eligible Investments.

#### ***Payment Date Statement***

The Indenture Trustee will prepare a Payment Date Statement each month setting forth certain information relating to the Reference Pool, the Notes, the Reference Tranches and the hypothetical structure described in this Memorandum, including:

- (i) the Class Principal Balance (or Notional Principal Amount) of each Class of Notes and the percentage of the original Class Principal Balance (or Notional Principal Amount) of each Class of Notes on the first (1<sup>st</sup>) day of the immediately preceding Accrual Period, the amount of principal payments to be made on the Notes of each Class that are entitled to principal on such Payment Date and the Class Principal Balance (or Notional Principal Amount) of each Class of Notes and the percentage of the original Class Principal Balance (or Notional Principal Amount) of each Class of Notes after giving effect to any payments of principal to be made on such Payment Date and the allocation of any Tranche Write-down Amounts and Tranche Write-up Amounts, to such Class of Notes on such Payment Date;
- (ii) One-Month LIBOR for the Accrual Period preceding the related Payment Date;
- (iii) the Interest Payment Amount for each outstanding Class of Notes for the related Payment Date;
- (iv) the amount of principal required to be paid by the Trust for each outstanding Class of Notes that is entitled to principal for the related Payment Date and the Senior Reduction Amount, the Subordinate Reduction Amount, the Senior Percentage and the Subordinate Percentage for the related Payment Date;
- (v) the aggregate Tranche Write-down Amounts, Tranche Write-up Amounts, Modification Loss Amounts and Modification Gain Amounts previously allocated to each Class of Notes and each Class of Reference Tranche pursuant to the hypothetical structure and the Tranche Write-down Amounts, Tranche Write-up Amounts, Modification Loss Amounts and Modification Gain Amounts to be allocated on the related Payment Date;

(vi) the cumulative number (to date) and UPB of the Reference Obligations that have become Credit Event Reference Obligations, the number and UPB of the Reference Obligations that have become Credit Event Reference Obligations during the related Reporting Period and the Cumulative Net Loss Percentage;

(vii) the number and aggregate UPB of Reference Obligations with respect to their delinquency status, including whether the status of such Reference Obligations is bankruptcy, foreclosure, or REO, as of the related Reporting Period;

(viii) the number and UPB amount of Reference Obligations (A) that became Credit Event Reference Obligations (and identification under which clause of the definition of “Credit Event” each such Reference Obligation became a Credit Event Reference Obligation), (B) that were removed from the Reference Pool as a result of a defect or breach of a representation and warranty, and (C) that have been paid in full;

(ix) the cumulative number and UPB of Credit Event Reference Obligations that have Unconfirmed Underwriting Defects or Unconfirmed Servicing Defects, including whether such defects have been confirmed, rescinded, or are still outstanding as of the related Reporting Period;

(x) the percentage of Reference Pool outstanding (equal to the outstanding principal amount of Reference Obligations divided by the Cut-off Date Balance) as of the current Reporting Period;

(xi) the principal collections on the Reference Obligations amounts, both cumulative and for the current Reporting Period;

(xii) the Recovery Principal for the current Reporting Period;

(xiii) the Origination Rep and Warranty/Servicing Breach Settlement Amount and the related Origination Rep and Warranty/Servicing Breach Settlement Loan Allocation Amount (Cap) for each Origination Rep and Warranty/Servicing Breach Settlement for the current Reporting Period;

(xiv) the number of sellers and the corresponding dollar amount of Reference Obligations no longer subject to our quality control process;

(xv) with respect to each Reference Obligation in the Reference Pool, as may be applicable, the following information: net sales proceeds (realized cumulative); Mortgage Insurance Credit Amount (cumulative); taxes and insurance (realized cumulative); legal costs (realized cumulative); maintenance and preservation costs (realized cumulative); bankruptcy cramdown costs (realized cumulative); miscellaneous expenses (realized cumulative); miscellaneous credits (realized cumulative); modification costs (realized cumulative); delinquent accrued interest (realized cumulative); total realized net loss (cumulative); and current period net loss;

(xvi) the amount of the Credit Premium Payment for such Payment Date;

(xvii) the amount of any Credit Protection Reimbursement Payment for such Payment Date;

(xviii) the amount of any Credit Protection Payment for such Payment Date;

(xix) notification from us of our on-going compliance with the terms of the EU Risk Retention Letter;

(xx) the market value of any Eligible Investments (other than those Eligible Investments that were reinvested) both before and after giving effect to payments of principal to Noteholders on such Payment Date as well as liquidation proceeds of any redemptions of Eligible Investments (other than those Eligible Investments in which investment income was reinvested) in respect of such Payment Date;

(xxi) investment income collected but not yet distributed on Eligible Investments;

(xxii) any investment losses on Eligible Investments realized during the Accrual Period; and

(xxiii) for the Payment Date Statement for the calendar month of January, the Class B Notes fair market value information (as of the last Business Day in the preceding calendar year) provided by us.

The Indenture Trustee will make the Payment Date Statement (and, at its option, any additional files containing the same information in an alternative format) available each month to Noteholders that provide appropriate certification in the form acceptable to the Indenture Trustee (which may be submitted electronically

via the Trustee's internet site) and to any designee of ours via the Indenture Trustee's internet website at [www.usbank.com/abs](http://www.usbank.com/abs). Assistance in using the internet website can be obtained by calling the Indenture Trustee at (800) 934-6802. Parties that are unable to use the above distribution options are entitled to have a paper copy mailed to them via first class mail by calling the customer service desk and indicating such. The Indenture Trustee will have the right to change the way the Payment Date Statement is distributed in order to make such distribution more convenient or more accessible to the above parties. The Indenture Trustee is required to provide timely and adequate notification to all above parties regarding any such changes. The Indenture Trustee will not be liable for the dissemination of information in accordance with the Indenture.

The Indenture Trustee will also be entitled to rely on but will not be responsible for the content or accuracy of any information provided by third parties for purposes of preparing the Payment Date Statement and may affix thereto any disclaimer it deems appropriate in its reasonable discretion (without suggesting liability on the part of any other party hereto).

### ***Indenture Events of Default***

**"Indenture Event of Default"** means

(a) a default in the payment, when due and payable, of interest due on any Note which default continues for a period of 30 days;

(b) a default in the payment of the Class Principal Balance of any Note on the Maturity Date or in the case of a default in payment due to an administrative error or omission by the Indenture Trustee or any paying agent, which default continues for a period of 30 days;

(c) a default in the performance, or breach, of any other covenant of the Trust under the Indenture or any representation or warranty of the Trust made in the Indenture or in any certificate or other writing delivered pursuant thereto or in connection therewith proves to be incorrect in any material respect when made and the continuation of such default or breach for a period of thirty (30) days after the Trust has notice thereof by (i) a responsible officer of the Indenture Trustee, (ii) the Protected Party (except in the case of a Freddie Mac Default) or (iii) by the Holders of not less than a majority of the aggregate outstanding Class Principal Balance of the Original Notes (without giving effect to exchanges);

(d) an involuntary Proceeding shall be commenced or an involuntary petition shall be filed seeking (i) winding up, liquidation, reorganization or other relief in respect of the Issuer or its debts, or of a substantial part of its assets, under any bankruptcy, insolvency, receivership or similar law now or hereafter in effect or (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Issuer or for a substantial part of its assets, and, in any such case, such proceeding or petition shall continue undismissed for sixty (60) days; or an order or decree approving or ordering any of the foregoing shall be entered;

(e) the Issuer will (i) voluntarily commence any Proceeding or file any petition seeking winding up, liquidation, reorganization or other relief under any bankruptcy, insolvency, receivership or similar law now or hereafter in effect, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or petition described in section (d) above, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for the Issuer or for a substantial part of its assets, (iv) file an answer admitting the material allegations of a petition filed against it in any such Proceeding, (v) make a general assignment for the benefit of creditors or (vi) take any action for the purpose of effecting any of the foregoing;

(f) the Indenture Trustee ceases to have a valid and enforceable security interest in the Collateral or such security interest proves not to have been valid or enforceable when granted or purported to have been granted; or

(g) it becomes unlawful for the Trust to perform or comply with any of its obligations under the Notes, the Indenture or any other transaction document to which it is a party;

provided, however, that no Indenture Event of Default with respect to any Notes will result under either *clause (a) or (b)* above if the Collateral has been realized upon in full and all amounts available to be paid in respect of such Collateral have been distributed in accordance with the provisions of the Indenture.

*Acceleration and Maturity; Rescission and Annulment.* If an Indenture Event of Default occurs and is continuing (other than an Indenture Event of Default described in *clause (d), (e), (f) or (g)* above), the Indenture Trustee, if a responsible officer thereof has actual knowledge of or has received notice of such Indenture Event of Default, may, or at the direction of not less than a majority of the aggregate outstanding Class Principal Balance of the Original Notes (without giving effect to exchanges) will, declare the Class Principal Balance of all the Notes to be due and payable on the next succeeding Payment Date, and upon any such declaration such principal, together with all accrued and unpaid Interest Payment Amounts on the Notes, and other amounts payable under the Indenture, will become due and payable on the next succeeding Payment Date. If an Indenture Event of Default described in *clause (d), (e), (f) or (g)* above occurs and is continuing, the Class Principal Balance of all of the Notes, together with all accrued and unpaid Interest Payment Amounts on the Notes and other amounts payable under the Indenture, will automatically become due and payable without any declaration or other act on the part of the Indenture Trustee or any Holder.

At any time after such a declaration of acceleration of maturity has been made (except with respect to an Event of Default described in *clause (d), (e), (f) or (g)* above) and before a judgment or decree for payment of the money due has been obtained by the Indenture Trustee as provided in the Indenture, a majority of the aggregate outstanding Class Principal Balance of the Original Notes (without giving effect to exchanges), by written notice to the Indenture Trustee, may rescind and annul such declaration and its consequences if:

(i) the Issuer has paid or deposited with the Indenture Trustee a sum sufficient to pay:

(A) all overdue amounts payable on or in respect of the Notes (other than amounts due solely as a result of the acceleration),

(B) to the extent that payment of interest on such amount is lawful, interest on such overdue amounts at a rate equal to the applicable Class Coupon,

(C) any accrued and unpaid amounts payable by the Issuer pursuant to the Credit Protection Agreement, and

(ii) the Indenture Trustee has determined that all Indenture Events of Default, other than the nonpayment of the principal of or interest on the Notes that have become due solely by such acceleration, have been cured and a majority of the aggregate outstanding Class Principal Balance of the Original Notes (without giving effect to exchanges), by written notice to the Indenture Trustee, has agreed with such determination or waived such Indenture Events of Default.

No such rescission and annulment shall affect any subsequent Indenture Event of Default or impair any right consequent thereon.

*Collection of Indebtedness and Suits for Enforcement by Indenture Trustee.* If an Indenture Event of Default occurs and is continuing, the Indenture Trustee at the direction of a majority of the aggregate outstanding Class Principal Balance of the Original Notes (without giving effect to exchanges) will proceed to protect and enforce its rights and the rights of the Secured Parties by such appropriate Proceedings as such Holders direct, whether for the specific enforcement of any covenant or agreement in the Indenture or in aid of the exercise of any power granted therein, or to enforce any other proper remedy or legal or equitable right vested in the Indenture Trustee by the Indenture or by law; *provided, however*, that no such Proceedings may be instituted with respect to the Eligible Investments or any proceeds thereof unless an Indenture Event of Default under *clause (f)* above has occurred and is continuing and *provided further* that the Indenture Trustee will have no duty or obligation to take such action unless such Holders offer indemnification satisfactory to the Indenture Trustee. Absent receipt of any such written direction by a responsible officer of the Indenture Trustee, the Indenture Trustee shall have no duty or obligation to take any action in respect of an Indenture Event of Default. In any Proceedings brought by the Indenture Trustee on behalf of the Holders, the Indenture Trustee will be held to represent all the Holders of the Notes and it shall not be necessary to make any Holder a party to any such proceeding.



*Remedies; Liquidation of Collateral.* If an Indenture Event of Default occurs and is continuing, and the Notes have been declared due and payable and such declaration and the consequences of such Event of Default and acceleration have not been rescinded and annulled, the Issuer agrees that the Indenture Trustee will, upon direction of a majority of the aggregate outstanding Class Principal Balance of the Original Notes (without giving effect to exchanges), to the extent permitted by applicable law, exercise one or more of the following rights, privileges and remedies:

- (i) institute Proceedings for the collection of all amounts then payable on the Notes or otherwise payable under the Indenture, whether by declaration or otherwise, enforce any judgment obtained, and collect from the Collateral any monies adjudged due;
- (ii) take the actions described under “*Application of Proceeds*” below;
- (iii) exercise any remedies of a secured party under the UCC and take any other appropriate action to protect and enforce the rights and remedies of the Secured Parties; and
- (iv) exercise any other rights and remedies that may be available at law or in equity.

If the Notes have been declared due and payable as described in “— *Remedies; Liquidation of Collateral*” above, the Indenture Trustee will give notice under the Credit Protection Agreement of a CPA Early Termination Event (if the Credit Protection Agreement has not yet terminated) and demand payment from the Protected Party of any amounts due under the Credit Protection Agreement (and, if the Protected Party fails to make any such payment, take the actions described in “*Application of Proceeds — Procedures Relating to Delayed Payments*” below). All such payments will be held in the Distribution Account for the benefit of the Holders of the Notes, as their interests may appear.

In determining whether the holders of the requisite percentage of Notes have given any direction, notice or consent, Notes owned by Freddie Mac will be disregarded and deemed not to be outstanding.

#### ***Application of Proceeds***

If an Indenture Event of Default occurs and is continuing, and the Notes have been declared due and payable and such declaration and the consequences of such Indenture Event of Default and acceleration have not been rescinded and annulled, the Holders of a majority of the aggregate outstanding Class Principal Balance of the Original Notes (without giving effect to exchanges) may direct the Indenture Trustee to (a) withdraw all proceeds of Eligible Investments for the related Payment Date held in the Distribution Account, (b) liquidate all Collateral (other than Collateral which is held in the form of cash) held in the Custodian Account into cash as provided in the Indenture, (c) if it is entitled to do so, give notice of a CPA Early Termination Date to us (if the Credit Protection Agreement has not yet terminated) and (d) demand payment from the Protected Party of any amounts due under the Credit Protection Agreement. If any such direction by the Holders of a majority of the aggregate outstanding Class Principal Balance of the Original Notes (without giving effect to exchanges), as applicable, has been given and carried out, then on the CPA Early Termination Date the Indenture Trustee will apply the funds on deposit in the accounts as follows:

- (i) to the payment of any amounts due and payable to the Protected Party, if any, under the Credit Protection Agreement;
- (ii) to the payment of interest on the Class M-2A Notes, to the extent outstanding, as to amounts accrued and unpaid through such Payment Date;
- (iii) to the repayment to the holders of the Class M-2A Notes, to the extent outstanding, of any remaining Class Principal Balance of the Class M-2A Notes;
- (iv) to the payment of interest on the Class M-2B Notes, to the extent outstanding, as to amounts accrued and unpaid through such Payment Date;
- (v) to the repayment to the holders of the Class M-2B Notes, to the extent outstanding, of any remaining Class Principal Balance of the Class M-2B Notes;

(vi) to the payment of interest on the Class B-1 Notes, to the extent outstanding, as to amounts accrued and unpaid through such Payment Date;

(vii) to the repayment to the holders of the Class B-1 Notes, to the extent outstanding, of any remaining Class Principal Balance of the Class B-1 Notes;

(viii) to the payment of interest on the Class B-2 Notes, to the extent outstanding, as to amounts accrued and unpaid through such Payment Date; and

(ix) to the repayment to the holders of the Class B-2 Notes, to the extent outstanding, of any remaining Class Principal Balance of the Class B-2 Notes.

*Procedures relating to Delayed Payments.* If the Indenture Trustee does not receive a Protected Party Payment when due, (a) the Indenture Trustee will promptly notify the Issuer in writing and (b) unless within thirty (30) days after such notice (i) such payment has been received by the Indenture Trustee, the Indenture Trustee will request the Protected Party to make such payment as soon as practicable after such request but in no event later than three (3) Business Days after the date of such request. If such payment is not made within such time period, the Indenture Trustee will notify the Holders of such nonpayment and will take such action as a majority of the aggregate outstanding Class Principal Balance of the Original Notes (without giving effect to exchanges) shall direct in writing or, if no such direction is received, such action as the Indenture Trustee deems most effectual (in each case, which may include declaring a CPA Early Termination Date). Any such action will be without prejudice to any right to claim an Indenture Event of Default.

#### ***Amendments***

Each of the Basic Documents may be amended by the parties thereto subject to certain limitations, if any, set forth therein. Accordingly, the Indenture Trustee is a necessary party to any amendment of the Indenture, the Credit Protection Agreement and the Securities Account Control Agreement. The authority of the Indenture Trustee to agree to any such amendment is as set forth below. In addition, no amendment may be made to the Indenture, Credit Protection Agreement, or the Securities Account Control Agreement unless the Indenture Trustee has received an opinion of a nationally recognized U.S. federal income tax counsel to the effect that, and subject to customary assumptions, qualifications and exclusions, (1) such opinion reaffirms each of the tax opinions delivered on the Closing Date and (2) such amendment will not result in Holders recognizing income, gain or loss for U.S. federal income tax purposes.

#### ***The Indenture***

The Indenture may be amended from time to time by the mutual agreement of the parties thereto, without the consent of any of the Holders of the Notes if such amendment does not materially and adversely affect the Protected Party (i) to cure any ambiguity or to correct any provision therein, (ii) to correct, modify or supplement any provision therein which may be inconsistent with this Memorandum, (iii) to correct, modify or supplement any provision therein which may be inconsistent with any other provision therein or to correct any error, (iv) to make any other provisions with respect to matters or questions arising thereunder which shall not be inconsistent with the then existing provisions thereof, (v) as evidenced by an opinion of counsel delivered to the Indenture Trustee, to relax or eliminate certain transfer restrictions imposed on the Notes pursuant to the Indenture (if applicable law is amended or clarified such that any such restriction may be relaxed or eliminated) or (vi) to modify, alter, amend, add to or rescind any of the provisions contained in the Indenture to comply with any rules or regulations promulgated from time to time; *provided* that no such amendment for the specific purposes described in clauses (iv) through (vi) above shall adversely affect in any material respect the interests of any Noteholders or any provision of the Indenture, as evidenced by the receipt by the Indenture Trustee of an opinion of counsel to that effect or, alternatively, in the case of any particular Noteholders, an acknowledgment to that effect from such person; and, provided, further that no amendment will materially and adversely impact the rights of the Protected Party (unless the Protected Party has consented to such amendment).

The Indenture may also be amended from time to time by the mutual agreement of the parties thereto, with the written consent of the Holders of Notes with at least a majority of the aggregate outstanding Class Principal Balance of the Original Notes (without giving effect to exchanges) allocated to each of the Classes of Notes that

are materially affected by the amendment, for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of the Indenture or of modifying in any manner the rights of the Holders of Notes; *provided, however*, that no such amendment may (i) modify the amendment provisions of the Indenture, without the consent of the Holders of all Original Notes then outstanding (without giving effect to exchanges), (ii) change the Scheduled Maturity Date or any monthly Payment Date of the Notes, (iii) reduce the Class Principal Balance or Notional Principal Amount (other than as provided for in the Indenture), delay the principal distribution of (other than as provided for in the Indenture), or materially modify the rate of interest or the calculation of the rate of interest on, the Notes (other than as provided for in the Indenture), (iv) reduce the percentage of Holders of Notes whose consent or affirmative vote is necessary to amend the terms of the Notes, (v) significantly change the activities of the Trust or (vi) materially and adversely impact the rights of the Protected Party (unless the Protected Party has consented to such amendment).

*The Credit Protection Agreement, Trust Agreement, Investment Management Agreement and Securities Account Control Agreement*

The Indenture Trustee may agree to an amendment of the Credit Protection Agreement, the Trust Agreement and/or the Securities Account Control Agreement, as applicable, from time to time without the consent of any of the Holders of the Notes (i) to cure any ambiguity or to correct any provision therein, (ii) to correct, modify or supplement any provision therein which may be inconsistent with this Memorandum, (iii) to correct, modify or supplement any provision therein which may be inconsistent with any other provision therein or to correct any error, (iv) to make any other provisions with respect to matters or questions arising thereunder which shall not be inconsistent with the then-existing provisions thereof or (v) to modify, alter, amend, add to or rescind any of the provisions contained therein to comply with any applicable rules or regulations promulgated from time to time; *provided* that no such amendment for the specific purposes described in clauses (iv) or (v) above shall adversely affect in any material respect the interests of any Noteholders, as evidenced by the receipt by the Indenture Trustee of an opinion of counsel to that effect or, alternatively, in the case of any particular Noteholders, an acknowledgment to that effect from such person (unless such Noteholders have consented to such amendment).

In addition, the Indenture Trustee may agree to an amendment of the Credit Protection Agreement, the Trust Agreement and/or the Securities Account Control Agreement, as applicable, from time to time with the written consent of the Holders of Notes entitled to at least a majority of the aggregate outstanding Class Principal Balance of the Original Notes (without giving effect to exchanges) allocated to each of the Classes of Notes that are materially and adversely affected by any such amendment, for the purpose of adding any provisions to or changing in any manner or eliminating any of the provisions of thereof or of modifying in any manner the rights of the Holders of Notes.

In addition, an amendment of the Investment Management Agreement that would change the definition of Eligible Investments such that the definition of Eligible Investments would no longer be in compliance with the No-Action Letter, may only be effected with the written consent and direction of the Holders of Notes entitled to at least a majority of the aggregate outstanding Class Principal Balance of the Original Notes (without giving effect to exchanges).

*Quorum*

A quorum at any meeting of Holders called to adopt a resolution will consist of Holders entitled to vote a majority of the aggregate outstanding Class Principal Balance of the Original Notes (without giving effect to exchanges) and called to such meeting. A quorum at any reconvened meeting adjourned for lack of a quorum, will consist of Holders entitled to vote 25% of the aggregate outstanding Class Principal Balance of the Original Notes (without giving effect to exchanges), in both cases excluding any such Notes owned by us. In the event that Exchangeable Notes have been exchanged for MAC Notes (or such MAC Notes have been further exchanged for other MAC Notes pursuant to an applicable Combination), Holders of such MAC Notes will be entitled to exercise all the voting rights that are allocated to such exchanged Exchangeable Notes in the manner described under “*MAC Notes*”. Holders do not have to approve the particular form of any proposed amendment, as long as they approve the substance of such change. See “*Risk Factors — Investment Factors and Risks Related to the Notes — Investors Have No Direct Right to Enforce Remedies*”.

As provided in the Indenture, the Indenture Trustee will establish a record date for the determination of Holders entitled to vote at any meeting of Holders of Notes, to grant any consent regarding Notes and to give notice of any such meeting or consent.

Any instrument given by or on behalf of any Holder of a Note relating to a consent to any modification, amendment or supplement will be irrevocable once given and will be conclusive and binding on all subsequent Holders of that Note or any substitute or replacement Note, whether or not notation of any amendment is made upon such Notes. Any amendment of the Indenture or of the terms of Notes will be conclusive and binding on all Holders of those Notes, whether or not they have given such consent or were present at any meeting (unless by the terms of the Indenture a written consent or an affirmative vote of such Holders is required), and whether or not notation of any such amendment is made upon the Notes.

#### ***Consolidation, Merger or Transfer of Assets***

The Trust may not consolidate with, merge into, or transfer or convey all or substantially all of its assets to any other corporation, partnership, trust or other person or entity.

#### ***Petitions for Bankruptcy***

The Indenture will provide that the Holders of the Notes and the Indenture Trustee agree not to cause the filing of a petition in bankruptcy against the Trust before one year and one day or, if longer, the applicable preference period then in effect, has elapsed since the payment in full of all of the Notes that are outstanding.

#### ***Satisfaction and Discharge of the Indenture***

The Indenture will be discharged and cease to be of further effect with respect to the Notes except as to certain limited rights specified in the Indenture and the Indenture Trustee, on demand of and at the expense of the Issuer, will execute proper instruments acknowledging satisfaction and discharge of the Indenture, when:

(i) either:

(A) all Notes previously authenticated and delivered (other than (1) Notes that have been mutilated, defaced, destroyed, lost or stolen and which have been replaced or paid as provided in the Indenture and (2) Notes for whose payment money has previously irrevocably been deposited in trust and thereafter repaid to the Issuer or discharged from such trust as provided in the Indenture) have been delivered to the Indenture Trustee for cancellation; or

(B) all Notes not previously delivered to the Indenture Trustee or the Authenticating Agent for cancellation (1) have become due and payable or (2) have been declared immediately due and payable as described in “*Indenture Events of Default — Remedies; Liquidation of Collateral*” above;

(ii) the Issuer has irrevocably deposited or caused to be deposited with the Indenture Trustee, in trust for such purpose, cash in an amount sufficient, as verified by a firm of nationally recognized independent certified public accountants, to pay and discharge (A) the entire indebtedness on all Notes not previously delivered to the Indenture Trustee for cancellation, including the entire Class Principal Balance thereof and all Interest Payment Amounts accrued to the date of such deposit (in the case of Notes which have become due and payable) or to the Scheduled Maturity Date or the Early Redemption Date, as the case may be, and (B) all amounts payable to the Protected Party under the Credit Protection Agreement;

(iii) the Issuer has paid or caused to be paid all other sums payable or to become payable hereunder (including, without limitation, amounts payable pursuant to the Administration Agreement and under the Credit Protection Agreement) and no other amounts will become due and payable by the Issuer;

(iv) the Issuer has delivered to the Indenture Trustee an officer’s certificate and an opinion of counsel, each stating that all conditions precedent herein provided for relating to the satisfaction and discharge of the Indenture have been complied with; and

(v) the Credit Protection Agreement has been terminated.

#### ***Binding Effect of the Indenture***

You and any Financial Intermediary or Holder acting on your behalf agree that the receipt and acceptance of a Note indicates acceptance of the terms and conditions of the Indenture, as it may be supplemented or amended by its terms.

### ***Notes Acquired by Freddie Mac***

We may, from time to time, purchase some or all of the Notes at any price or prices, in the open market or otherwise. We may hold or sell any Notes that we purchase. Any Notes we own will have an equal and proportionate benefit under the provisions of the Indenture, without preference, priority or distinction as among those Notes. However, in determining whether the required percentage of Holders of the Notes have given any required demand, authorization, notice, consent or waiver, Notes we own, directly or indirectly, will be deemed not to be outstanding.

### ***Third-Party Beneficiaries***

The Protected Party will be a third party beneficiary of each agreement or obligation in the Indenture relating to payments to be made by the Issuer under the Credit Protection Agreement, the rights and obligations of the Secured Parties with respect to the Collateral and the priorities of payments established in the Indenture, the rights of the Protected Party to receive reports and notices thereunder and of each agreement and obligation in the Indenture and will have the right to enforce such rights, agreements and obligations as though it were a party thereto. The Investment Manager will be a third party beneficiary of each agreement or obligation in the Indenture relating to investment of funds in the Custodian Account in Eligible Investments under the Investment Management Agreement and the rights of the Investment Manager to receive reports and notices thereunder.

### ***Notice***

Any notice, demand or other communication which by any provision of the Indenture is required or permitted to be given to or served upon any Holder may be given or served in writing by deposit thereof, postage prepaid, in the mail, addressed to such Holder as (i) such Holder's name and address may appear in the register of the Holders maintained by the Indenture Trustee, (ii) in the case of a Holder of a Note maintained on the DTC System, by transmission to such Holder through the DTC communication system or (iii) in the case of a Note deposited with a Common Depositary, by transmission to such Holder through the Common Depositary system. Such notice, demand or other communication to or upon any Holder will be deemed to have been sufficiently given or made, for all purposes, upon mailing or transmission.

Any notice, demand or other communication which is required or permitted to be delivered to us must be given in writing addressed as follows: Freddie Mac, 8200 Jones Branch Drive, McLean, Virginia 22102, Attention: General Counsel and Secretary. The communication will be deemed to have been sufficiently given or made only upon actual receipt of the writing by us.

### ***Governing Law***

The Indenture will be governed by and construed in accordance with the laws of the State of New York and the obligations, rights and remedies of the parties to the Indenture will be determined in accordance with such laws without regard to the conflicts of law provisions thereof (other than section 5-1401 of the General Obligations Law).

### ***The Investment Management Agreement***

On the Closing Date, the Trust will enter into the Investment Management Agreement with the Investment Manager and the Administrator. Pursuant to the Investment Management Agreement, the Trust will appoint the Investment Manager as investment manager for purposes of directing the investment and reinvestment of the Collateral comprised of cash and Eligible Investments.

The investment guidelines set forth in the Investment Management Agreement will specify investment objectives, policies, directions and restrictions to be followed by the Investment Manager in managing the cash and Eligible Investments in order to comply with the No-Action Letter.

The Administrator will pay the Investment Manager for its services under the Investment Management Agreement.

The Investment Manager will in rendering its services, use a degree of skill and attention no less than that which it exercises with respect to comparable assets that it manages for itself and for others who are not subject



to registration or other regulation under the Investment Company Act and in a manner which the Investment Manager reasonably believes to be consistent with practices followed by comparable investment managers of national standing investing in assets of the nature and character of the Collateral for the purpose of establishing a body of assets underlying the payment obligations of one or more securities of a type similar to the Notes and consistent with its fiduciary duty, except as otherwise expressly provided for in the Investment Management Agreement or the Indenture. Subject to the immediately preceding sentence, the Investment Manager will follow its customary policies, standards and procedures in performing its duties under the Investment Management Agreement. Except as may otherwise be provided by law, the Investment Manager will not be liable to the Trust for (a) any loss that the Trust may suffer by reason of any investment decision made or other action taken or omitted in good faith by the Investment Manager consistent with the foregoing standard of care; (b) any loss arising from the Investment Manager's adherence to the Investment Guidelines; or (c) any act or failure to act by the Custodian, any broker or dealer to which the Investment Manager directs transactions or by any third party. See "*— The Administration Agreement*" for a description of our indemnification of the Investment Manager and other Transaction Parties.

### **The Securities Account Control Agreement**

On the Closing Date, the Trust will enter into the Securities Account Control Agreement with the Indenture Trustee, in its capacity as Custodian. Pursuant to the Securities Account Control Agreement, the Trust will appoint the Custodian as the custodian to hold all Eligible Investments comprised of certificated securities and instruments in physical form at the office of U.S. Bank National Association, 1555 North Rivercenter Drive, Milwaukee, WI 53151. All certificated securities and instruments will be credited to the Custodian Account.

The proceeds from the sale of the Notes will be deposited with the Custodian. The Custodian will receive, hold and transfer the Collateral and perform all of the obligations of the Indenture Trustee, as the holder of the security interest under the Indenture for the benefit of the Secured Parties that relate to such receipt, holding and transfer. The Custodian will comply with any demand made by the Indenture Trustee on the Custodian in accordance with the Indenture.

Pursuant to the Securities Account Control Agreement, the Custodian Account will be a "securities account" (within the meaning of Section 8-501(a) of the UCC and Article 1(1)(b) of the Hague Convention on the Law Applicable to Certain Rights in Respect of Securities Held with an Intermediary (the "**Hague Securities Convention**")) in respect of which the Custodian is a "securities intermediary" (within the meaning of Section 8-102(a)(14) of the UCC) and an "intermediary" (within the meaning of Article 1(1)(c) of the Hague Securities Convention), and the Issuer is the "entitlement holder" (within the meaning of Section 8-102(a)(7) of the UCC) and the "account holder" (within the meaning of Article 1(1)(d) of the Hague Securities Convention), (ii) each item of property (whether cash, a security, an instrument or any other property) credited to any of the Accounts shall be treated as a "financial asset" (within the meaning of Section 8-102(a)(9) of the UCC); provided, however, nothing in the Securities Account Control Agreement will require the Custodian to credit to any securities account or to treat as a financial asset (within the meaning of Section 8-102(a)(9) of the UCC) any asset in the nature of a general intangible (as defined in Section 9-102(a)(42) of the UCC) or to "maintain" a sufficient quantity thereof (within the meaning of Section 8-504 of the UCC) and (iii) the Collateral and any rights or proceeds derived therefrom will be subject to the liens and other security interests in favor of the Indenture Trustee on behalf of the Secured Parties as set forth in the Indenture.

All securities and other financial assets credited to the Custodian Account that are in registered form will be (i) registered in the name of, or payable to or to the order of, the Custodian, not in its individual capacity but solely as Custodian, (ii) indorsed to or to the order of the Custodian, not in its individual capacity but solely as Custodian, or in blank or (iii) credited to another securities account maintained in the name of the Custodian, not in its individual capacity but solely as Custodian, and in no case will any financial asset credited to the Custodian Account be registered in the name of, or payable to or to the order of, the Issuer or indorsed to or to the order of the Issuer, except to the extent the same have been specially indorsed to or to the order of the Custodian or in blank.

The Custodian will comply with entitlement orders (as defined in Section 8-102(a)(8) of the UCC) originated by the Issuer without further consent by the Indenture Trustee. The Issuer, the Indenture Trustee and

the Custodian will agree that if at any time the Custodian receives any “entitlement order” (within the meaning of Section 8-102(a)(8) of the UCC), or any other instruction, originated by the Indenture Trustee pursuant to the Indenture and relating to the Custodian Account or Distribution Account, the Custodian will comply with such entitlement order or other instruction without further consent by the Issuer or any other person. If the Indenture Trustee notifies the Custodian that the Indenture Trustee will exercise exclusive control over the Accounts (a “Notice of Exclusive Control”), the Custodian will cease (i) complying with entitlement orders or other directions concerning the Custodian Account originated by the Issuer and (ii) distributing to the Issuer interest and other distributions on property in the Custodian Account; *provided* that the Indenture Trustee will not deliver a Notice of Exclusive Control unless an Indenture Event of Default has occurred and the Notes have been accelerated pursuant to the terms of the Indenture. The Custodian will have no obligation to act and shall be fully protected in refraining from acting, in respect of any such Collateral in the absence of such entitlement order or instruction. The Custodian will deposit, and direct and otherwise cause each issuer, obligor, guarantor, clearing corporation or other applicable person to pay and deposit into the Custodian Account under and in accordance with the Indenture all cash distributions and all other cash payments and proceeds in respect of the Collateral, until such time as the Indenture Trustee may otherwise direct the Custodian in accordance with the Securities Account Control Agreement and the Indenture.

We will pay the Custodian for its services under the Securities Account Control Agreement pursuant to the Administration Agreement.

### **The Administration Agreement**

Pursuant to the Administration Agreement, we will be required to pay the Fees and Expenses (subject to the relevant Expense Cap) of the Indenture Trustee, Custodian, Exchange Administrator, Investment Manager and Owner Trustee. In addition, the Administration Agreement contains provisions for our indemnification of such parties for any loss, liability or expense incurred except for losses, liabilities or expenses caused or incurred by the gross negligence, willful misconduct or bad faith on its part, arising out of or in connection with the Basic Documents. Under the Administration Agreement and other Basic Documents, each Transaction Party will indemnify certain other Transaction Parties with respect to certain of its actions.

## **THE PARTIES**

### **Freddie Mac as Sponsor, Administrator and Certificateholder**

Freddie Mac, a corporate instrumentality of the United States created and existing under the Freddie Mac Act, is the Sponsor of the Trust and will be appointed by the Trust as the Administrator. Freddie Mac’s principal office is located at 8200 Jones Branch Drive, McLean, Virginia 22102. Freddie Mac currently has approximately 5,400 employees in the McLean, Virginia headquarters and in regional offices located in New York, New York, Atlanta, Georgia, Chicago, Illinois, Carrollton, Texas and Los Angeles, California. Freddie Mac conducts business in the U.S. secondary mortgage market by working with a national network of experienced single-family seller/servicers to purchase single-family mortgage loans and to set servicing standards for such mortgage loans. Freddie Mac performs in-house quality control reviews of single-family loans but does not directly originate loans or service loans for third-party investors. See “*Freddie Mac*”.

Prior to the Closing Date, Freddie Mac, as Sponsor, formed the Trust and caused the certificate of trust to be filed with the Secretary of State of the State of Delaware. Pursuant to the Trust Agreement, Freddie Mac, as Sponsor agrees not to take any action which would cause the Trust to become an “investment company” which would be required to register under the Investment Company Act. As Sponsor, Freddie Mac is the sole beneficial owner of the Trust.

The Administrator may assign the Administration Agreement to a corporation or other organization that is a successor (by merger, consolidation or purchase of assets) to the Administrator.

Freddie Mac’s senior long-term debt ratings are “AA+” by Standard & Poor’s, “Aaa” by Moody’s, and “AAA” by Fitch. Its short-term debt ratings are “A-1+” by Standard & Poor’s, “P-1” by Moody’s and “F1+” by Fitch.

Freddie Mac continues to operate under the conservatorship of the FHFA that commenced on September 6, 2008. From time to time, Freddie Mac is a party to various lawsuits and other legal proceedings arising in the ordinary course of business and is subject to regulatory actions that could materially adversely affect its operations. See “*We are in Conservatorship; Potential Receivership*”, “*Freddie Mac*” and “*Risk Factors — Risks Relating to Freddie Mac*”.

The information set forth in this section has been provided by Freddie Mac. No person other than Freddie Mac makes any representation or warranty as to the accuracy or completeness of such information.

### **Indenture Trustee and Custodian**

U.S. Bancorp, with total assets exceeding \$462 billion as of December 31, 2017, is the parent company of U.S. Bank, the fifth largest commercial bank in the United States. As of December 31, 2017, U.S. Bancorp served approximately 18 million customers and operated over 3,000 branch offices in 25 states. A network of specialized U.S. Bancorp offices across the nation provides a comprehensive line of banking, brokerage, insurance, investment, mortgage, trust and payment services products to consumers, businesses, and institutions.

U.S. Bank has one of the largest corporate trust businesses in the country, with office locations in 53 domestic and 2 international cities. The Indenture will be administered from U.S. Bank’s corporate trust office located at One Federal Street, 3rd Floor, Mailcode EX-MA-FED, Boston, Massachusetts 02110 (and for certificate transfer services, 111 Fillmore Avenue, St. Paul, Minnesota 55107, Attention: Bondholder Services — STACR 2018-HRP1).

U.S. Bank has provided corporate trust services since 1924. As of December 31, 2017, U.S. Bank was providing securities administrator services on more than 203 transactions with \$18,607,400,000 of outstanding mortgage-backed securities prime structured products. The Indenture Trustee is required to make each monthly statement available to the Noteholders via the Indenture Trustee’s internet website at [www.usbank.com/abs](http://www.usbank.com/abs). Noteholders with questions may direct them to the Indenture Trustee’s bondholder services group at (800) 934-6802.

Since 2014 various plaintiffs or groups of plaintiffs, primarily investors, have filed claims against U.S. Bank, in its capacity as trustee or successor trustee (as the case may be) under certain RMBS trusts. The plaintiffs or plaintiff groups have filed substantially similar complaints against other RMBS trustees, including Deutsche Bank, Citibank, HSBC, Bank of New York Mellon and Wells Fargo Bank, N.A. The complaints against U.S. Bank allege the trustee caused losses to investors as a result of alleged failures by the sponsors, mortgage loan sellers and servicers for these RMBS trusts and assert causes of action based upon the trustee’s purported failure to enforce repurchase obligations of mortgage loan sellers for alleged breaches of representations and warranties concerning loan quality. The complaints also assert that the trustee failed to notify securityholders of purported events of default allegedly caused by breaches of servicing standards by mortgage loan servicers and that the trustee purportedly failed to abide by a heightened standard of care following alleged events of default.

Currently U.S. Bank is a defendant in multiple actions alleging individual or class action claims against the trustee with respect to multiple trusts as described above with the most substantial case being: *BlackRock Balanced Capital Portfolio et al v. U.S. Bank National Association*, No. 605204/2015 (N.Y. Sup. Ct.) (class action alleging claims with respect to approximately 794 trusts) and its companion case *BlackRock Core Bond Portfolio et al v. U.S. Bank National Association*, No. 14-cv-9401 (S.D.N.Y.). Some of the trusts implicated in the aforementioned Blackrock cases, as well as other trusts, are involved in actions brought by separate groups of plaintiffs related to no more than 100 trusts per case.

U.S. Bank cannot make assurances as to the outcome of any of the litigation, or the possible impact of these litigations on the Indenture Trustee or the RMBS trusts. However, U.S. Bank denies liability and believes that it has performed its obligations under the RMBS trusts in good faith, that its actions were not the cause of losses to investors and that it has meritorious defenses, and it intends to contest the plaintiffs’ claims vigorously.

The foregoing information concerning the Indenture Trustee has been provided by U.S. Bank. None of the Sponsor, the Initial Purchasers, the Owner Trustee or any of their affiliates takes any responsibility for this information or makes any representation or warranty as to its accuracy or completeness.

At all times, the Indenture Trustee will be required to satisfy the following eligibility criteria: a corporation or national banking association organized and doing business under the laws of the United States or of any State, authorized under such laws to exercise corporate trust powers, having a combined capital and surplus of at least U.S. \$50,000,000, having a long-term unsecured debt rating of “A” or higher by Fitch and “A1” or higher by Moody’s and subject to supervision or examination by federal or state authority. If such corporation or national banking association publishes reports of condition at least annually, pursuant to law or to the requirements of the aforesaid supervising or examining authority, then for purposes of determining eligibility, the combined capital and surplus of such corporation or national banking association will be deemed to be its combined capital and surplus as set forth in its most recent report of condition so published. If at any time the Indenture Trustee ceases to be eligible in accordance with the foregoing criteria, the Indenture will require the Indenture Trustee to give notice, immediately of resignation, such resignation to be effective in no more than 30 days subject only to the designation of a replacement Indenture Trustee resign immediately as described in “— *Resignation and Removal of the Indenture Trustee; Appointment of Successor*” below. On the Closing Date, U.S. Bank will be the Indenture Trustee.

We may maintain other banking relationships in the ordinary course of business with the Indenture Trustee. The payment of the fees and expenses of the Indenture Trustee is solely our obligation.

***Resignation and Removal of the Indenture Trustee; Appointment of Successor***

The Indenture Trustee may resign at any time by giving written notice to the Issuer, the Holders and the Protected Party. Upon receiving such notice of resignation, the Issuer will promptly appoint a successor trustee or trustees by written instrument, in duplicate, executed by an authorized officer of the Issuer on behalf of the Issuer, one original copy of which shall be delivered to the Indenture Trustee so resigning and one original copy to the successor trustee or trustees, together with a copy to each Holder; *provided* that such successor indenture trustee will be appointed only upon the written consent of Holders of not less than a majority of the outstanding Class Principal Balance of the Original Notes (without giving effect to exchanges). If no successor indenture trustee is appointed and an instrument of acceptance by a successor indenture trustee is not delivered to the Indenture Trustee within thirty (30) days’ after the giving of such notice of resignation, the resigning Indenture Trustee, the Issuer or any Holder may, petition any court of competent jurisdiction for the appointment of a successor indenture trustee.

The Indenture Trustee may be removed (i) at any time by Holders of not less than 66-2/3% of the aggregate outstanding Class Principal Balance of the Original Notes (without giving effect to exchanges), (ii) at any time when an Indenture Event of Default shall have occurred and be continuing or when a successor indenture trustee has been appointed at any time the Indenture Trustee ceases to be eligible as described in “*Indenture Trustee and Custodian*” above, by Holders of not less than a majority of the aggregate outstanding Class Principal Balance of the Original Notes (without giving effect to exchanges), by 30 days prior written notice delivered to the Indenture Trustee and to the Issuer or (iii) at any time when (1) an Indenture Trustee payment-related Indenture Event of Default has occurred and is continuing or (2) the Indenture Trustee fails to deliver the Payment Date Statement to the Protected Party by written notice delivered to the Indenture Trustee and to the Issuer.

If at any time:

(i) the Indenture Trustee ceases to be eligible and fails to resign after written request by the Issuer or by any Holder; or

(ii) the Indenture Trustee becomes incapable of acting or is adjudged as bankrupt or insolvent or a receiver or liquidator of the Indenture Trustee or of its property is appointed or any public officer takes charge or control of the Indenture Trustee or of its property or affairs for the purpose of rehabilitation, conservation or liquidation, then, in any such case (A) the Issuer, by written order or request of the Issuer, may remove the Indenture Trustee, (B) any Holder may, on behalf of itself and all others similarly situated, petition any court of competent jurisdiction for the removal of the Indenture Trustee and the appointment of a successor Indenture Trustee, or (C) the Protected Party may remove the Indenture Trustee.

If the Indenture Trustee resigns, is removed or becomes incapable of acting for any reason, the Issuer, by written order or request of the Issuer, will promptly appoint a successor Indenture Trustee. If the Issuer fails to

appoint a successor indenture trustee within sixty (60) days after such resignation, removal or incapability, a successor indenture trustee may be appointed by a majority of the aggregate outstanding Class Principal Balance of the Original Notes (without giving effect to exchanges) by written notice delivered to the Issuer and the retiring Indenture Trustee. If no successor indenture trustee is so appointed by the Issuer or such Holders and has accepted appointment in the manner described below, any Holder may, on behalf of itself and all others similarly situated, petition any court of competent jurisdiction for the appointment of a successor indenture trustee.

### ***Resignation and Removal of the Custodian***

The Custodian will be deemed removed or replaced, as applicable, upon the effective resignation or removal of the Indenture Trustee in accordance with the terms of the Indenture and the replacement successor indenture trustee will also be designated and appointed as the successor custodian or will appoint a successor custodian and such designation and appointment will be deemed accepted upon the effective appointment of such successor indenture trustee.

### **Owner Trustee**

Wilmington Trust, National Association will act as the Owner Trustee. Wilmington Trust, National Association (formerly called M & T Bank, National Association)—also referred to herein as the “owner trustee”—is a national banking association with trust powers incorporated in 1995. The issuing entity owner trustee’s principal place of business is located at 1100 North Market Street, Wilmington, Delaware 19890. Wilmington Trust, National Association is an affiliate of Wilmington Trust Company and both Wilmington Trust, National Association and Wilmington Trust Company are subsidiaries of Wilmington Trust Corporation. Since 1998, Wilmington Trust Company has served as owner trustee in numerous asset-backed securities transactions involving residential mortgages.

On May 16, 2011, after receiving all required shareholder and regulatory approvals, Wilmington Trust Corporation, the parent of Wilmington Trust, National Association, through a merger, became a wholly-owned subsidiary of M&T Bank Corporation, a New York corporation.

Wilmington Trust, National Association is subject to various legal proceedings that arise from time to time in the ordinary course of business. Wilmington Trust, National Association does not believe that the ultimate resolution of any of these proceedings will have a materially adverse effect on its services as owner trustee.

Other than the above three paragraphs, Wilmington Trust, National Association has not participated in the preparation of, and is not responsible for, any other information contained in this Memorandum.

### **Exchange Administrator**

U.S. Bank will act as Exchange Administrator. The Exchange Administrator will perform certain administrative functions with respect to exchanging Exchangeable Notes for MAC Notes and vice versa (including any exchanges of a Class of MAC Notes for other Classes of MAC Notes), as described in “*MAC Notes — Exchange Procedures*”.

The Exchange Administrator will, among other duties set forth in the Indenture, administer all exchanges of Exchangeable Notes for MAC Notes (including any exchanges of a Class of MAC Notes for other Classes of MAC Notes) and vice versa, which will include receiving notices of requests for such exchanges from Noteholders, accepting the Notes to be exchanged, and giving notice to the Indenture Trustee of all such exchanges. The Indenture Trustee will make all subsequent payments in accordance with such notice, unless notified of a subsequent exchange by the Exchange Administrator.

The Exchange Administrator may resign immediately at any time by giving written notice thereof to us and the Noteholders; provided, however, that in the event of U.S. Bank’s resignation or removal as Indenture Trustee pursuant to the Indenture such notice will not be required and such resignation or removal will occur at the same time as the resignation or removal of U.S. Bank as Indenture Trustee. We may terminate the Exchange Administrator at any time upon thirty calendar days’ written notice. No resignation or removal of the Exchange Administrator and no appointment of a successor exchange administrator will become effective until the acceptance of appointment by a successor exchange administrator.



## HISTORICAL INFORMATION

Loan-level credit performance data on a portion of fixed-rate single-family mortgage loans, including HARP loans, originated between January 1, 1999 and March 31, 2017 is available online at [http://www.freddiemac.com/research/datasets/sf\\_loanlevel\\_dataset.html](http://www.freddiemac.com/research/datasets/sf_loanlevel_dataset.html). The Single Family Loan-Level Dataset provides actual loss data and monthly loan performance data, including credit performance information up to and including property disposition, through September 30, 2017. Specific credit performance information in the dataset includes voluntary prepayments and loans that were foreclosure alternatives and REOs. Specific actual loss data in the dataset includes net sales proceeds, mortgage insurance recoveries, non-mortgage insurance recoveries, expenses, current deferred UPB, and due date of last paid installment. Access to this web address is unrestricted and free of charge. The various loans for which performance information is shown at the above internet address had initial characteristics that differed, and may have differed in ways that were material to the performance of those mortgage loans. These differing characteristics include, among others, product type, credit quality, geographic concentration, average principal balance, weighted average interest rate, weighted average LTV ratio and weighted average term to maturity. None of us, the Initial Purchasers, the Indenture Trustee or the Exchange Administrator make any representation, and you should not assume, that the performance information shown at the above internet address is in any way indicative of the performance of the Reference Obligations.

The Single Family Loan-Level Dataset available on our website relating to any of our mortgage loans is not deemed to be part of this Memorandum. Various factors may affect the prepayment, delinquency and loss performance of the mortgage loans over time.

The Reference Obligations may not perform in the same manner as the mortgage loans in the Single Family Loan-Level Dataset as a result of the various credit and servicing standards we have implemented over time. Due to adverse market and economic conditions, and based in part on our reviews of the underwriting quality for loans originated in 2005 through 2008, we implemented several credit changes since 2008. These credit changes are defined by specified criteria such as LTV, Credit Score and DTI. We cannot predict how these credit changes will affect the performance of the Reference Obligations compared to the performance of prior vintages of mortgage loans. See also “*Risk Factors — Risks Relating to the Notes Being Linked to the Reference Pool — Underwriting Standards Used by Many of Our Sellers May be Less Stringent than Required by Our Guide*” and “*— Servicers May Not Follow the Requirements of Our Guide or TOBs, and Servicing Standards May Change Periodically*”.

## PREPAYMENT AND YIELD CONSIDERATIONS

### Credit Events and Modification Events

The number and timing of Credit Events and Modification Events on the Reference Obligations and the actual losses we realize with respect thereto will affect the yield on the Notes. To the extent that Credit Events or Modification Events result in the allocation of Tranche Write-down Amounts to reduce the Class Notional Amount of a Reference Tranche, the Class Principal Balance of the corresponding Class of Notes will be reduced, without any corresponding payment of principal, by the amount of such Tranche Write-down Amounts. As described under “*Summary of Terms — Reductions in Class Principal Balances of the Notes Due to Allocation of Tranche Write-down Amounts*”, Tranche Write-down Amounts will be allocated, *first*, to reduce any Overcollateralization Amount for such Payment Date, until such Overcollateralization Amount is reduced to zero and, *second*, to reduce the Class Notional Amount of each Class of Reference Tranche in the following order of priority, in each case until its Class Notional Amount is reduced to zero: *first*, to the Class B-2 and Class B-2H Reference Tranches, *pro rata*, based on their Class Notional Amounts immediately prior to such Payment Date, *second*, to the Class B-1 and Class B-1H Reference Tranches, *pro rata*, based on their Class Notional Amounts immediately prior to such Payment Date, *third*, to the Class M-2B and Class M-2BH Reference Tranches, *pro rata*, based on their Class Notional Amounts immediately prior to such Payment Date, *fourth*, to the Class M-2A and Class M-2AH Reference Tranches, *pro rata*, based on their Class Notional Amounts immediately prior to such Payment Date, *fifth*, to the Class M-1H Reference Tranche, and *sixth*, to the Class A-H Reference Tranche, but only in an amount equal to the excess, if any, of the remaining unallocated Tranche Write-down Amount for such Payment Date over the Principal Loss Amount for such Payment Date.

attributable to *clause (d)* of the definition of “Principal Loss Amount”. Any Tranche Write-down Amount allocated to the Class M-2A Reference Tranche will result in a corresponding reduction in the Class Principal Balance of the Class M-2A Notes, any Tranche Write-down Amount allocated to the Class M-2B Reference Tranche will result in a corresponding reduction in the Class Principal Balance of the Class M-2B Notes, any Tranche Write-down Amount allocated to the Class B-1 Reference Tranche will result in a corresponding reduction in the Class Principal Balance of the Class B-1 Notes and any Tranche Write-down Amount allocated to the Class B-2 Reference Tranche will result in a corresponding reduction in the Class Principal Balance of the Class B-2 Notes (in each case without regard to any exchanges of Exchangeable Notes for MAC Notes). If Exchangeable Notes have been exchanged for MAC Notes, all Tranche Write-down Amounts that are allocable to such exchanged Exchangeable Notes will be allocated to reduce the Class Principal Balances or Notional Principal Amounts, as applicable, of such MAC Notes (or any MAC Notes further exchanged for such MAC Notes pursuant to an applicable Combination) in accordance with the exchange proportions applicable to the related Combination. Similarly, Modification Loss Amounts are allocated to the Class M-2A, Class M-2B, Class B-1 or Class B-2 Reference Tranche pursuant to the *sixth, fifth, third and first* priorities of the definition of Modification Loss Priority and as further described under “*Description of the Notes — Hypothetical Structure and Calculations with Respect to the Reference Tranches — Allocation of Modification Loss Amount*” and will result in a corresponding reduction of the Interest Payment Amount of the Class M-2A, Class M-2B, Class B-1 or Class B-2 Notes, as applicable. To the extent that Modification Events result in the allocation of Modification Loss Amounts to a Class of Notes for any Payment Date, the Interest Payment Amount of such Class of Notes will be reduced for such Payment Date by the amount of the Modification Loss Amount allocated to such Class of Notes. Because the Class B-2 Reference Tranche is subordinate to the Class B-1, Class B-1H, Class M-2B, Class M-2BH, Class M-2A, Class M-2AH and Class M-1H Reference Tranches, the Class B-2 Notes will be more sensitive than the Class B-1, Class M-2B and Class M-2A Notes and any related MAC Notes to Tranche Write-down Amounts and the allocation of Modification Loss Amounts to reduce its Interest Payment Amount. Similarly, because the Class B-1 Reference Tranche is subordinate to the Class M-2B, Class M-2BH, Class M-2A, Class M-2AH and Class M-1H Reference Tranches, the Class B-1 Notes will be more sensitive than the Class M-2B and Class M-2A Notes and any related MAC Notes to Tranche Write-down Amounts and the allocation of Modification Loss Amounts to reduce their Interest Payment Amounts after the Class Notional Amounts of the Class B-2 and Class B-2H Reference Tranches are reduced to zero. In addition, because the Class M-2B Reference Tranche is subordinate to the Class M-2A, Class M-2AH and Class M-1H Reference Tranches, the Class M-2B Notes and any related MAC Notes will be more sensitive than the Class M-2A Notes and any related MAC Notes to Tranche Write-down Amounts and the allocation of Modification Loss Amounts to reduce their Interest Payment Amounts after the Class Notional Amounts of the Class B-2, Class B-2H, Class B-1 and Class B-1H Reference Tranches are reduced to zero. It should be noted that the Class M-2A Notes and any related MAC Notes will be allocated Modification Loss Amounts to reduce their Interest Payment Amounts prior to the allocation of Modification Loss Amounts in the form of Principal Loss Amounts allocated to the Class Principal Balance of the Class M-2B Notes and any related MAC Notes as Tranche Write-down Amounts.

Credit Events and Modification Events can be caused by, but not limited to, mortgagor mismanagement of credit and unforeseen events. The rate of delinquencies on refinance mortgage loans may be higher than for other types of mortgage loans. Furthermore, the rate and timing of Credit Events and Modification Events and the actual losses realized with respect thereto on the Reference Obligations will be affected by the general economic condition of the region of the country in which the related mortgaged properties are located. The risk of Credit Events and Modification Events is greater and prepayments are less likely in regions where a weak or deteriorating economy exists, as may be evidenced by, among other factors, increasing unemployment or falling property values. The yield on any Class of Notes and the rate and timing of Credit Events and Modification Events on the Reference Obligations may also be affected by servicing decisions by the applicable servicer, including decisions relating to charge off or modification of a Reference Obligation.

### **Prepayment Considerations and Risks**

The rate of principal payments on the Notes and the yield to maturity (or to early redemption) of Notes purchased at a price other than par are directly related to the rate and timing of payments of principal on the Reference Obligations. The principal payments on the Reference Obligations may be in the form of scheduled

principal or unscheduled principal. Any unscheduled principal payments on the Reference Obligations may result in the acceleration of principal payments to the Noteholders that would otherwise be distributed over the remaining term of the Reference Obligations.

The rate at which mortgage loans in general prepay may be influenced by a number of factors, including general economic conditions, mortgage market interest rates, availability of mortgage funds, the value of the mortgaged property and the mortgagor's net equity therein, solicitations, servicer decisions and homeowner mobility.

- In general, if prevailing mortgage interest rates fall significantly below the mortgage rates on the Reference Obligations, the Reference Obligations are likely to prepay at higher rates than if prevailing mortgage interest rates remain at or above the mortgage rates on the Reference Obligations.
- Conversely, if prevailing mortgage interest rates rise above the mortgage rates on the Reference Obligations, the rate of prepayment would be expected to decrease.

The timing of changes in the rate of prepayments may significantly affect an investor's actual yield to maturity, even if the average rate of principal prepayments is consistent with an investor's expectations. In general, the earlier the payment of principal of the Reference Obligations the greater the effect on an investor's yield to maturity. If you hold any Interest Only MAC Notes and principal payments allocated to the related Exchangeable Notes occur at a faster rate than such investors assumed, your actual yield to maturity will be lower than assumed or you may not even recover your investments in such Interest Only MAC Notes. As a result, the effect on investors' yield due to principal prepayments occurring at a rate higher (or lower) than the rate investors anticipate during the period immediately following the issuance of the Notes may not be offset by a subsequent like reduction (or increase) in the rate of principal prepayments. Prospective investors should also consider the risk, in the case of a Note purchased at a discount, that a slower than anticipated rate of payments in respect of principal (including prepayments) on the Reference Obligations will have a negative effect on the yield to maturity of such Note. Prospective investors should also consider the risk, in the case of a Note purchased at a premium, that a faster than anticipated rate of payments in respect of principal (including prepayments) on the Reference Obligations will have a negative effect on the yield to maturity of such Note. Prospective investors must make decisions as to the appropriate prepayment assumptions to be used in deciding whether to purchase Notes.

A mortgagor may make a full or partial prepayment on a mortgage loan at any time without paying a penalty. A mortgagor may fully prepay a mortgage loan for several reasons, including an early payoff, a sale of the related mortgaged property or a refinancing of the mortgage loan. A mortgagor who makes a partial prepayment of principal may request that the monthly principal and interest installments be recalculated, provided that the monthly payments are current. Any recalculation of payments must be documented by a modification agreement. The recalculated payments cannot result in an extended maturity date or a change in the interest rate. The rate of payment of principal may also be affected by any removal from the Reference Pool of some or all of the Reference Obligations as required by the Indenture. See "*Summary of Terms — Reference Pool*". We may also remove Reference Obligations from the Reference Pool because they do not satisfy the Eligibility Criteria. Any removals will shorten the Weighted Average Lives of the Notes.

The Reference Obligations will typically include "due-on-sale" clauses which allow the holder of such Reference Obligation to demand payment in full of the remaining principal balance upon sale or certain transfers of the property securing such Reference Obligation.

Acceleration of Reference Obligations as a result of enforcement of "due-on-sale" provisions in connection with transfers of the related mortgaged properties or the occurrence of certain other events resulting in acceleration would affect the level of prepayments on the Reference Obligations, which in turn would affect the Weighted Average Lives of the Classes of Notes.

In recent years, modifications and other default resolution procedures other than foreclosure, such as deeds in lieu of foreclosure and short sales, have become more common and those servicing decisions, rather than foreclosure, may affect the rate of principal prepayments on the Reference Obligations.

You should understand that the timing of changes in One-Month LIBOR may affect the actual yields on the Notes (other than the Interest Only MAC Notes) even if the average rate of One-Month LIBOR is consistent with your expectations. You must make an independent decision as to the appropriate One-Month LIBOR assumptions to be used in deciding whether to purchase a Note.

## **MAC Notes**

The payment characteristics and experiences of the MAC Notes reflect the payment characteristics of the related Exchangeable Notes that may be exchanged for such MAC Notes. Accordingly, investors in the MAC Notes should consider the prepayment and yield considerations described herein of the related Exchangeable Notes as if they were investing directly in such Exchangeable Notes. In addition, if investors purchase Interest Only MAC Notes and principal payments allocated to the related Class or Classes of Exchangeable Notes occur at a faster rate than such investors assumed, such investors' actual yield to maturity will be lower than assumed or such investors may not even recover their investments in such MAC Notes.

## **Assumptions Relating to Weighted Average Life Tables, Declining Balances Tables, Credit Event Sensitivity Table, Cumulative Note Write-down Amount Tables and Yield Tables**

The tables on the following pages have been prepared on the basis of the following Modeling Assumptions:

(a) The Reference Obligations consist of the assumed mortgage loans having the characteristics shown in Appendix C;

(b) the original Class Principal Balances for the Original Notes are as set forth or described in Table 1 and the maximum Class Principal Balances or Notional Principal Amounts, as applicable, for the MAC Notes are as set forth or described in Table 1 and the Class Coupons for each of the following Classes of Notes and Reference Tranches are assumed to be One-Month LIBOR plus [ ]% for the Class M-1H Reference Tranche, One-Month LIBOR plus [ ]% for the Class M-2 Notes, One-Month LIBOR plus [ ]% for the Class B-1 Notes, One-Month LIBOR plus [ ]% for the Class B-2 Notes, One-Month LIBOR plus [ ]% for the Class M-2A Notes, One-Month LIBOR plus [ ]% for the Class M-2B Notes, One-Month LIBOR plus [ ]% for the Class M-2R, Class M-2AR and Class M-2BR Notes, One-Month LIBOR plus [ ]% for the Class M-2S, Class M-2AS, and Class M-2BS Notes, One-Month LIBOR plus [ ]% for the Class M-2T, Class M-2AT and Class M-2BT Notes and One-Month LIBOR plus [ ]% for the Class M-2U, Class M-2AU and Class M-2BU Notes;

(c) the scheduled monthly payment for each Reference Obligation is based on its outstanding principal balance, current mortgage rate and remaining term to maturity so that it will fully amortize in amounts sufficient for the repayment thereof over its remaining term to maturity;

(d) (i) other than with respect to the Declining Balances Tables, the Reference Obligations experience Credit Events at the indicated CER percentages, there is no lag between the related Credit Event Amounts and the application of any related Recovery Principal, the Preliminary Principal Loss Amount is equal to 15% of the Credit Event Amount; and (ii) with respect to the Declining Balances Tables, the Reference Obligations do not experience any Credit Events;

(e) the Delinquency Test is satisfied for each Payment Date;

(f) each monthly payment of scheduled principal and interest on the Reference Obligations is timely received on the first day of each month beginning in April 2018;

(g) principal prepayments in full on the Reference Obligations are received, together with thirty (30) days' interest thereon, on the last day of each month beginning in April 2018;

(h) there are no partial principal prepayments on the Reference Obligations;

(i) the Reference Obligations prepay at the indicated CPR percentages;

(j) no Reference Obligations are purchased or removed from, or reinstated to, the Reference Pool and no mortgage loans are substituted for the Reference Obligations included in the Reference Pool on the Closing Date;

(k) (i) with respect to the Declining Balances Tables and the Credit Event Sensitivity Table, the Reference Obligations do not experience Modification Events; and (ii) with respect to the Weighted Average Life Tables, the Cumulative Note Write-down Amount Tables and the Yield Tables that have RM percentages greater than zero: (x) all Modification Events are effective as of the first day of the first month corresponding to the Reporting Period for all principal collections, other than full prepayments, for the first Payment Date and continue through the Maturity Date; (y) RM are applied to all Reference Obligations at the indicated RM percentages; and (z) Modification Loss Amounts for the Payment Date in June 2018, will be the sum of (I) the Modification Loss Amounts calculated as of April 1, 2018 based on the UPB of the Reference Obligations as of the Cut-off Date and (II) the Modification Loss Amounts calculated as of May 1, 2018 based on the UPB of the Reference Obligations as of April 1, 2018;

(l) there are no data corrections in connection with the Reference Obligations;

(m) there is no early redemption (except in the case of “Weighted Average Life (years) to Early Redemption Date” occurring on the earlier of: (i) the Payment Date occurring in May 2028 and (ii) the Payment Date in which the aggregate UPB of the Reference Obligations is less than or equal to 10% of the Cut-off Date Balance of the Reference Pool);

(n) there are no Reversed Credit Event Reference Obligations, Modification Gain Amounts or Origination Rep and Warranty/Servicing Breach Settlement Amounts;

(o) the Projected Recovery Amount is equal to zero;

(p) the Original Notes are issued on May 21, 2018;

(q) cash payments on the Notes are received on the twenty-fifth (25th) day of each month beginning in June 2018 as described under “*Description of The Notes*”;

(r) One-Month LIBOR is assumed to remain constant at [       ]% per annum; and

(s) each Class of Notes is outstanding from the Closing Date to retirement and no exchanges occur.

Although the characteristics of the Reference Obligations for the Weighted Average Life Tables, Declining Balances Tables, Credit Event Sensitivity Table, Cumulative Note Write-down Amount Tables and Yield Tables have been prepared on the basis of the weighted average characteristics of the mortgage loans which are expected to be in the Reference Pool, there is no assurance that the Modeling Assumptions will reflect the actual characteristics or performance of the Reference Obligations or that the performance of the Notes will conform to the results set forth in the tables.

### **Weighted Average Lives of the Notes**

We have calculated the Weighted Average Lives for each Class of Interest Only MAC Notes assuming that a reduction in its Notional Principal Amount is a reduction in Class Principal Balance. The Weighted Average Lives of the Notes will be influenced by, among other things, the rate at which principal of the Reference Obligations is actually paid by the related mortgagor, the timing of changes in such rate of principal payments and the timing and rate of allocation of Tranche Write-down Amounts and Tranche Write-up Amounts to the Notes. The interaction of the foregoing factors may have different effects on each Class of Notes and the effects on any such Class may vary at different times during the life of such Class. Accordingly, no assurance can be given as to the Weighted Average Life of any Class of Notes. For an example of how the Weighted Average Lives of the Notes are affected by the foregoing factors at various rates of prepayment and Credit Events, see the Weighted Average Life Tables and Declining Balances Tables set forth below.

Prepayments on mortgage loans are commonly measured relative to a constant prepayment standard or model. The model used in this Memorandum for the Reference Obligations is a constant prepayment rate (“CPR”). CPR assumes that the outstanding principal balance of a pool of mortgage loans prepays at a specified constant annual rate. In projecting monthly cashflows, this rate is converted to an equivalent monthly rate.

CPR does not purport to be either a historical description of the prepayment experience of mortgage loans or a prediction of the anticipated rate of prepayment of any mortgage loans, including the Reference Obligations. The percentages of CPR in the tables below do not purport to be historical correlations of relative prepayment experience of the Reference Obligations or predictions of the anticipated relative rate of prepayment of the



Reference Obligations. Variations in the prepayment experience and the principal balance of the Reference Obligations that prepay may increase or decrease the percentages of original Class Principal Balances and initial Notional Principal Amounts (and Weighted Average Lives) shown in the Declining Balances Tables below and may affect the Weighted Average Lives shown in the Weighted Average Life Tables below. Such variations may occur even if the average prepayment experience of all such Reference Obligations equals any of the specified percentages of CPR.

It is highly unlikely that the Reference Obligations will have the precise characteristics referred to in this Memorandum or that they will prepay or experience Credit Events or Modification Events at any of the rates specified or times assumed, as applicable, or that Credit Events or Modification Events will be incurred according to one particular pattern. The Weighted Average Life Tables, Credit Event Sensitivity Table, Cumulative Note Write-down Amount Tables and Yield Tables below assume a constant rate of Reference Obligations becoming Credit Event Reference Obligations each month relative to the then-outstanding aggregate principal balance of the Reference Obligations. This assumed Credit Event Rate (or “CER”) does not purport to be either a historical description of the default experience of the Reference Obligations or a prediction of the anticipated rate of defaults on the Reference Obligations. The rate and extent of actual defaults experienced on the Reference Obligations are likely to differ from those assumed and may differ significantly. A Credit Event Rate of 1% assumes Reference Obligations become Credit Event Reference Obligations at an annual rate of 1% which remains constant through the remaining lives of such Reference Obligations. Further, it is unlikely the Reference Obligations will become Credit Event Reference Obligations at any specified Credit Event Rate.

The Weighted Average Life Tables, the Cumulative Note Write-down Amount Tables and the Yield Tables with interest rate modification (“RM”) percentages greater than 0% have been prepared on the basis of the Modeling Assumptions described above under “— *Assumptions Relating to Weighted Average Life Tables, Declining Balances Tables, Credit Event Sensitivity Table, Cumulative Note Write-down Amount Tables and Yield Tables*”. These RM percentages do not purport to be either a historical description of the default, modification or cure experience of the Reference Obligations or a prediction of the anticipated rate of defaults, modifications or cures of the Reference Obligations. The rate and extent of actual modifications experienced on the Reference Obligations are likely to differ from those assumed and may differ significantly. A Modification Event with a RM percentage of 2% assumes the gross coupon of the Reference Obligations is reduced by 2% and such Modification Event remains in effect through the remaining lives of such Reference Obligations. Further, it is unlikely the Reference Obligations will experience Modification Events at any specified percentage.

The Weighted Average Life Tables and the Declining Balances Tables have been prepared on the basis of the Modeling Assumptions described above under “— *Assumptions Relating to Weighted Average Life Tables, Declining Balances Tables, Credit Event Sensitivity Table, Cumulative Note Write-down Amount Tables and Yield Tables*”. There will likely be discrepancies between the characteristics of the actual mortgage loans included in Reference Pool and the characteristics of the hypothetical mortgage loans assumed in preparing the Weighted Average Life Tables and the Declining Balances Tables. Any such discrepancy may have an adverse effect upon the percentages of original Class Principal Balances and initial Notional Principal Amounts outstanding set forth in the Declining Balances Tables (and the Weighted Average Lives of the Notes set forth in the Weighted Average Life Tables and the Declining Balances Tables). In addition, to the extent that the mortgage loans that actually are included in the Reference Pool have characteristics that differ from those assumed in preparing the following Declining Balances Tables, the Class Principal Balance or Notional Principal Amount, as applicable, of a Class of Notes could be reduced to zero earlier or later than indicated by the applicable Declining Balances Table.

Furthermore, the information contained in the Weighted Average Life Tables and the Declining Balances Tables with respect to the Weighted Average Life of any Note is not necessarily indicative of the Weighted Average Life of that Class of Notes that might be calculated or projected under different or varying prepayment assumptions.

It is not likely that all of the Reference Obligations will have the interest rates or remaining terms to maturity assumed or that the Reference Obligations will prepay at the indicated CPR percentages or experience Credit Events at the indicated CER percentages. In addition, the diverse remaining terms to maturity of the Reference Obligations could produce slower or faster reductions of the Class Principal Balances and Notional Principal Amounts than indicated in the Declining Balances Tables at the various CPR percentages specified.

### Weighted Average Life Tables

Based upon the Modeling Assumptions, the following Weighted Average Life Tables indicate the projected Weighted Average Lives in years of each Class of Notes shown at various CPR percentages, CER percentages and RM percentages.

#### Class M-2, M-2R, M-2S, M-2T, M-2U and M-2I Weighted Average Life to Maturity (years)

<u>CER</u>	<u>RM</u>	<u>0% CPR</u>	<u>5% CPR</u>	<u>10% CPR</u>	<u>15% CPR</u>	<u>25% CPR</u>	<u>35% CPR</u>	<u>CER</u>	<u>RM</u>	<u>0% CPR</u>	<u>5% CPR</u>	<u>10% CPR</u>	<u>15% CPR</u>	<u>25% CPR</u>	<u>35% CPR</u>
0.250%	0.000%	9.92	4.15	2.42	1.67	1.02	0.71	0.150%	0.012%						
0.500%	0.000%	11.67	4.60	2.57	1.74	1.02	0.71	0.300%	0.025%						
1.000%	0.000%	16.09	5.86	2.97	1.91	1.07	0.72	0.600%	0.050%						
1.500%	0.000%	23.33	12.26	5.75	3.20	1.52	0.89	0.900%	0.075%						
2.000%	0.000%	18.50	23.68	12.74	8.73	3.93	1.84	1.200%	0.100%						
3.000%	0.000%	9.92	17.42	21.61	16.69	8.73	5.06	1.800%	0.150%						
4.000%	0.000%	6.96	9.58	17.08	18.55	11.25	7.33	2.400%	0.200%						
5.000%	0.000%	5.38	6.62	11.33	15.77	11.70	7.46	3.000%	0.250%						

#### Class M-2A, M-2AR, M-2AS, M-2AT, M-2AU and M-2AI Weighted Average Life to Maturity (years)

<u>CER</u>	<u>RM</u>	<u>0% CPR</u>	<u>5% CPR</u>	<u>10% CPR</u>	<u>15% CPR</u>	<u>25% CPR</u>	<u>35% CPR</u>	<u>CER</u>	<u>RM</u>	<u>0% CPR</u>	<u>5% CPR</u>	<u>10% CPR</u>	<u>15% CPR</u>	<u>25% CPR</u>	<u>35% CPR</u>
0.250%	0.000%	6.80	2.38	1.37	0.95	0.59	0.42	0.150%	0.012%						
0.500%	0.000%	8.37	2.62	1.44	0.98	0.59	0.42	0.300%	0.025%						
1.000%	0.000%	12.85	3.27	1.65	1.06	0.60	0.42	0.600%	0.050%						
1.500%	0.000%	24.25	9.98	3.82	1.83	0.79	0.42	0.900%	0.075%						
2.000%	0.000%	23.19	23.29	11.18	7.66	2.64	0.76	1.200%	0.100%						
3.000%	0.000%	11.77	23.16	20.89	14.82	7.71	3.96	1.800%	0.150%						
4.000%	0.000%	8.14	12.01	22.36	17.11	10.53	6.61	2.400%	0.200%						
5.000%	0.000%	6.25	7.99	16.03	18.35	10.76	6.68	3.000%	0.250%						

#### Class M-2B, M-2BR, M-2BS, M-2BT, M-2BU and M-2BI Weighted Average Life to Maturity (years)

<u>CER</u>	<u>RM</u>	<u>0% CPR</u>	<u>5% CPR</u>	<u>10% CPR</u>	<u>15% CPR</u>	<u>25% CPR</u>	<u>35% CPR</u>	<u>CER</u>	<u>RM</u>	<u>0% CPR</u>	<u>5% CPR</u>	<u>10% CPR</u>	<u>15% CPR</u>	<u>25% CPR</u>	<u>35% CPR</u>
0.250%	0.000%	13.04	5.91	3.47	2.39	1.44	1.00	0.150%	0.012%						
0.500%	0.000%	14.98	6.58	3.71	2.51	1.45	1.01	0.300%	0.025%						
1.000%	0.000%	19.32	8.45	4.29	2.77	1.54	1.02	0.600%	0.050%						
1.500%	0.000%	22.41	14.53	7.68	4.57	2.25	1.35	0.900%	0.075%						
2.000%	0.000%	13.81	24.08	14.29	9.80	5.22	2.91	1.200%	0.100%						
3.000%	0.000%	8.08	11.69	22.32	18.56	9.74	6.15	1.800%	0.150%						
4.000%	0.000%	5.78	7.15	11.80	19.98	11.98	8.04	2.400%	0.200%						
5.000%	0.000%	4.50	5.24	6.63	13.20	12.65	8.23	3.000%	0.250%						

**Class B-1 Weighted Average Life to Maturity (years)**

<u>CER</u>	<u>RM</u>	<u>0% CPR</u>	<u>5% CPR</u>	<u>10% CPR</u>	<u>15% CPR</u>	<u>25% CPR</u>	<u>35% CPR</u>	<u>CER</u>	<u>RM</u>	<u>0% CPR</u>	<u>5% CPR</u>	<u>10% CPR</u>	<u>15% CPR</u>	<u>25% CPR</u>	<u>35% CPR</u>
0.250%	0.000%	18.66	11.47	7.16	4.99	2.95	2.04	0.150%	0.012%						
0.500%	0.000%	20.66	13.04	7.86	5.33	3.08	2.07	0.300%	0.025%						
1.000%	0.000%	18.80	17.39	9.92	6.22	3.36	2.19	0.600%	0.050%						
1.500%	0.000%	10.61	16.18	14.00	8.53	4.23	2.62	0.900%	0.075%						
2.000%	0.000%	7.41	10.57	15.50	14.54	7.57	4.51	1.200%	0.100%						
3.000%	0.000%	4.67	5.50	7.35	13.29	13.12	7.99	1.800%	0.150%						
4.000%	0.000%	3.41	3.81	4.44	5.82	11.85	10.46	2.400%	0.200%						
5.000%	0.000%	2.68	2.91	3.24	3.75	8.59	9.49	3.000%	0.250%						

**Class B-2 Weighted Average Life to Maturity (years)**

<u>CER</u>	<u>RM</u>	<u>0% CPR</u>	<u>5% CPR</u>	<u>10% CPR</u>	<u>15% CPR</u>	<u>25% CPR</u>	<u>35% CPR</u>	<u>CER</u>	<u>RM</u>	<u>0% CPR</u>	<u>5% CPR</u>	<u>10% CPR</u>	<u>15% CPR</u>	<u>25% CPR</u>	<u>35% CPR</u>
0.250%	0.000%	17.03	16.06	13.19	10.47	6.88	4.84	0.150%	0.012%						
0.500%	0.000%	11.37	13.25	11.93	9.82	6.63	4.74	0.300%	0.025%						
1.000%	0.000%	4.64	5.96	8.66	8.28	6.09	4.49	0.600%	0.050%						
1.500%	0.000%	2.96	3.37	4.13	6.15	5.54	4.28	0.900%	0.075%						
2.000%	0.000%	2.18	2.38	2.67	3.21	5.59	4.85	1.200%	0.100%						
3.000%	0.000%	1.41	1.49	1.59	1.73	2.30	4.42	1.800%	0.150%						
4.000%	0.000%	1.04	1.08	1.13	1.19	1.38	2.00	2.400%	0.200%						
5.000%	0.000%	0.82	0.85	0.87	0.91	1.01	1.18	3.000%	0.250%						

### Declining Balances Tables

Based upon the Modeling Assumptions, the following Declining Balances Tables indicate the projected Weighted Average Lives of each Class of Notes and sets forth the percentages of the original Class Principal Balance or original Notional Principal Amount, as applicable, of each Class that would be outstanding after each of the dates shown at various CPR percentages.

#### Percentages of Original Balances Outstanding\* and Weighted Average Lives

Date	Class M-2, M-2R, M-2S, M-2T, M-2U and M-2I					
	CPR Prepayment Assumption					
	0%	5%	10%	15%	25%	35%
Closing Date	100	100	100	100	100	100
May 25, 2019	100	94	81	67	40	14
May 25, 2020	100	76	53	31	0	0
May 25, 2021	94	59	28	1	0	0
May 25, 2022	87	44	7	0	0	0
May 25, 2023	80	29	0	0	0	0
May 25, 2024	72	14	0	0	0	0
May 25, 2025	64	1	0	0	0	0
May 25, 2026	55	0	0	0	0	0
May 25, 2027	47	0	0	0	0	0
May 25, 2028	37	0	0	0	0	0
May 25, 2029	28	0	0	0	0	0
May 25, 2030	18	0	0	0	0	0
May 25, 2031	7	0	0	0	0	0
May 25, 2032 and after	0	0	0	0	0	0
Weighted Average Life (years) to Scheduled Maturity Date	8.44	3.73	2.24	1.56	0.93	0.63
Weighted Average Life (years) to Early Redemption Date**	7.71	3.73	2.24	1.56	0.93	0.63

\* Rounded to the nearest whole percentage.

\*\* Based on assumption that the Early Redemption Date occurs on the first eligible Payment Date.

Date	Class M-2A, M-2AR, M-2AS, M-2AT, M-2AU and M-2AI					
	CPR Prepayment Assumption					
	0%	5%	10%	15%	25%	35%
Closing Date	100	100	100	100	100	100
May 25, 2019	100	88	61	34	0	0
May 25, 2020	100	53	6	0	0	0
May 25, 2021	88	19	0	0	0	0
May 25, 2022	74	0	0	0	0	0
May 25, 2023	59	0	0	0	0	0
May 25, 2024	44	0	0	0	0	0
May 25, 2025	28	0	0	0	0	0
May 25, 2026	11	0	0	0	0	0
May 25, 2027 and after	0	0	0	0	0	0
Weighted Average Life (years) to Scheduled Maturity Date	5.58	2.15	1.26	0.87	0.51	0.34
Weighted Average Life (years) to Early Redemption Date**	5.58	2.15	1.26	0.87	0.51	0.34

\*\* Based on assumption that the Early Redemption Date occurs on the first eligible Payment Date.

Class M-2B, M-2BR, M-2BS, M-2BT, M-2BU and M-2BI						
Date	CPR Prepayment Assumption					
	0%	5%	10%	15%	25%	35%
Closing Date	100	100	100	100	100	100
May 25, 2019	100	100	100	100	81	28
May 25, 2020	100	100	100	62	0	0
May 25, 2021	100	100	57	1	0	0
May 25, 2022	100	87	13	0	0	0
May 25, 2023	100	57	0	0	0	0
May 25, 2024	100	29	0	0	0	0
May 25, 2025	100	2	0	0	0	0
May 25, 2026	100	0	0	0	0	0
May 25, 2027	93	0	0	0	0	0
May 25, 2028	75	0	0	0	0	0
May 25, 2029	56	0	0	0	0	0
May 25, 2030	36	0	0	0	0	0
May 25, 2031	15	0	0	0	0	0
May 25, 2032 and after	0	0	0	0	0	0
Weighted Average Life (years) to Scheduled Maturity Date	11.29	5.32	3.23	2.25	1.35	0.91
Weighted Average Life (years) to Early Redemption Date**	9.85	5.32	3.23	2.25	1.35	0.91

\*\* Based on assumption that the Early Redemption Date occurs on the first eligible Payment Date.

Class B-1						
Date	CPR Prepayment Assumption					
	0%	5%	10%	15%	25%	35%
Closing Date	100	100	100	100	100	100
May 25, 2019	100	100	100	100	100	100
May 25, 2020	100	100	100	100	87	39
May 25, 2021	100	100	100	100	37	0
May 25, 2022	100	100	100	66	0	0
May 25, 2023	100	100	82	36	0	0
May 25, 2024	100	100	58	12	0	0
May 25, 2025	100	100	37	0	0	0
May 25, 2026	100	83	18	0	0	0
May 25, 2027	100	66	2	0	0	0
May 25, 2028	100	50	0	0	0	0
May 25, 2029	100	35	0	0	0	0
May 25, 2030	100	21	0	0	0	0
May 25, 2031	100	8	0	0	0	0
May 25, 2032	95	0	0	0	0	0
May 25, 2033	79	0	0	0	0	0
May 25, 2034	63	0	0	0	0	0
May 25, 2035	46	0	0	0	0	0
May 25, 2036	28	0	0	0	0	0
May 25, 2037	9	0	0	0	0	0
May 25, 2038 and after	0	0	0	0	0	0
Weighted Average Life (years) to Scheduled Maturity Date	16.75	10.18	6.55	4.66	2.82	1.93
Weighted Average Life (years) to Early Redemption Date**	10.01	9.28	6.55	4.66	2.82	1.93

\*\* Based on assumption that the Early Redemption Date occurs on the first eligible Payment Date.



Date	Class B-2					
	CPR Prepayment Assumption					
	0%	5%	10%	15%	25%	35%
Closing Date	100	100	100	100	100	100
May 25, 2019	100	100	100	100	100	100
May 25, 2020	100	100	100	100	100	100
May 25, 2021	100	100	100	100	100	88
May 25, 2022	100	100	100	100	99	55
May 25, 2023	100	100	100	100	72	35
May 25, 2024	100	100	100	100	52	22
May 25, 2025	100	100	100	91	38	14
May 25, 2026	100	100	100	75	27	9
May 25, 2027	100	100	100	61	19	5
May 25, 2028	100	100	87	49	14	3
May 25, 2029	100	100	74	39	10	2
May 25, 2030	100	100	63	32	7	1
May 25, 2031	100	100	53	25	5	1
May 25, 2032	100	95	44	20	3	0
May 25, 2033	100	83	37	15	2	0
May 25, 2034	100	71	30	12	2	0
May 25, 2035	100	61	24	9	1	0
May 25, 2036	100	51	19	7	1	0
May 25, 2037	100	41	15	5	0	0
May 25, 2038	90	32	11	3	0	0
May 25, 2039	71	24	8	2	0	0
May 25, 2040	51	16	5	1	0	0
May 25, 2041	30	9	3	1	0	0
May 25, 2042	9	3	1	0	0	0
May 25, 2043	0	0	0	0	0	0
Weighted Average Life (years) to Scheduled Maturity Date	22.07	18.41	14.28	11.04	7.07	4.92
Weighted Average Life (years) to Early Redemption Date**	10.01	10.01	9.96	9.06	6.01	4.17

\*\* Based on assumption that the Early Redemption Date occurs on the first eligible Payment Date.

### Yield Considerations with Respect to the Notes

The Weighted Average Life of, and the yield to maturity on, the Notes will be sensitive to the rate and timing of Credit Events and Modification Events on the Reference Obligations (and the severity of losses realized with respect thereto). If the actual rate of Credit Events and Modification Events on the Reference Obligations (and the severity of the losses realized with respect thereto) is higher than those you assumed would occur, the actual yield to maturity of a Note may be lower than the expected yield. The timing of Credit Events and Modification Events on Reference Obligations will also affect your actual yield to maturity, even if the rate of Credit Events and Modification Events is consistent with your expectations. See “*Prepayment and Yield Considerations*”.

***Credit Event Sensitivity Table***

Based upon the Modeling Assumptions, the following Cumulative Credit Events Table indicates the projected cumulative Credit Event Amount divided by aggregate UPB of the Reference Obligations in the Reference Pool as of the Cut-off Date shown at various CPR percentages and CER percentages.

**Cumulative Credit Events (as % of Reference Pool Cut-off Date Balance)**

<u>CER</u>	<u>0% CPR</u>	<u>5% CPR</u>	<u>10% CPR</u>	<u>15% CPR</u>	<u>25% CPR</u>	<u>35% CPR</u>
0.15% .....	2.1%	1.4%	1.0%	0.8%	0.5%	0.3%
0.25% .....	3.5%	2.3%	1.7%	1.2%	0.8%	0.6%
0.30% .....	4.2%	2.8%	2.0%	1.5%	0.9%	0.7%
0.50% .....	6.8%	4.6%	3.3%	2.5%	1.6%	1.1%
0.60% .....	8.1%	5.5%	3.9%	3.0%	1.9%	1.3%
0.90% .....	11.9%	8.1%	5.8%	4.4%	2.8%	2.0%
1.00% .....	13.1%	8.9%	6.4%	4.8%	3.1%	2.2%
1.20% .....	15.5%	10.5%	7.6%	5.8%	3.7%	2.6%
1.50% .....	18.9%	12.9%	9.4%	7.1%	4.6%	3.2%
1.80% .....	22.1%	15.2%	11.1%	8.4%	5.5%	3.9%
2.00% .....	24.2%	16.7%	12.2%	9.3%	6.0%	4.3%
2.40% .....	28.2%	19.5%	14.3%	11.0%	7.2%	5.1%
3.00% .....	33.6%	23.6%	17.4%	13.4%	8.8%	6.3%
4.00% .....	41.7%	29.6%	22.2%	17.3%	11.5%	8.3%
5.00% .....	48.6%	35.0%	26.5%	20.8%	14.1%	10.2%

### ***Cumulative Note Write-down Amount Tables***

Based upon the Modeling Assumptions, the following Cumulative Note Write-down Amount Tables indicate the projected cumulative write-down of the Class Principal Balance of a Note due to allocation of Tranche Write-down Amounts as a percentage of the Note's original Class Principal Balance at various CPR percentages, CER percentages and RM percentages.

#### **Class M-2, M-2R, M-2S, M-2T and M-2U Cumulative Write-down Amount (as % of the respective Class M-2, M-2R, M-2S, M-2T and M-2U Original Class Principal Balance)**

<u>CER</u>	<u>RM</u>	<u>0% CPR</u>	<u>5% CPR</u>	<u>10% CPR</u>	<u>15% CPR</u>	<u>25% CPR</u>	<u>35% CPR</u>	<u>CER</u>	<u>RM</u>	<u>0% CPR</u>	<u>5% CPR</u>	<u>10% CPR</u>	<u>15% CPR</u>	<u>25% CPR</u>	<u>35% CPR</u>
0.250%	0.000%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.150%	0.012%						
0.500%	0.000%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.300%	0.025%						
1.000%	0.000%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.600%	0.050%						
1.500%	0.000%	18.9%	0.0%	0.0%	0.0%	0.0%	0.0%	0.900%	0.075%						
2.000%	0.000%	64.6%	0.2%	0.0%	0.0%	0.0%	0.0%	1.200%	0.100%						
3.000%	0.000%	100.0%	59.1%	6.4%	0.0%	0.0%	0.0%	1.800%	0.150%						
4.000%	0.000%	100.0%	100.0%	47.0%	5.2%	0.0%	0.0%	2.400%	0.200%						
5.000%	0.000%	100.0%	100.0%	84.1%	35.7%	0.0%	0.0%	3.000%	0.250%						

#### **Class M-2A, M-2AR, M-2AS, M-2AT and M-2AU Cumulative Write-down Amount (as % of the respective Class M-2A, M-2AR, M-2AS, M-2AT and M-2AU Original Class Principal Balance)**

<u>CER</u>	<u>RM</u>	<u>0% CPR</u>	<u>5% CPR</u>	<u>10% CPR</u>	<u>15% CPR</u>	<u>25% CPR</u>	<u>35% CPR</u>	<u>CER</u>	<u>RM</u>	<u>0% CPR</u>	<u>5% CPR</u>	<u>10% CPR</u>	<u>15% CPR</u>	<u>25% CPR</u>	<u>35% CPR</u>
0.250%	0.000%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.150%	0.012%						
0.500%	0.000%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.300%	0.025%						
1.000%	0.000%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.600%	0.050%						
1.500%	0.000%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.900%	0.075%						
2.000%	0.000%	29.2%	0.0%	0.0%	0.0%	0.0%	0.0%	1.200%	0.100%						
3.000%	0.000%	100.0%	18.2%	0.0%	0.0%	0.0%	0.0%	1.800%	0.150%						
4.000%	0.000%	100.0%	100.0%	0.0%	0.0%	0.0%	0.0%	2.400%	0.200%						
5.000%	0.000%	100.0%	100.0%	68.1%	0.0%	0.0%	0.0%	3.000%	0.250%						

#### **Class M-2B, M-2BR, M-2BS, M-2BT and M-2BU Cumulative Write-down Amount (as % of the respective Class M-2B, M-2BR, M-2BS, M-2BT and M-2BU Original Class Principal Balance)**

<u>CER</u>	<u>RM</u>	<u>0% CPR</u>	<u>5% CPR</u>	<u>10% CPR</u>	<u>15% CPR</u>	<u>25% CPR</u>	<u>35% CPR</u>	<u>CER</u>	<u>RM</u>	<u>0% CPR</u>	<u>5% CPR</u>	<u>10% CPR</u>	<u>15% CPR</u>	<u>25% CPR</u>	<u>35% CPR</u>
0.250%	0.000%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.150%	0.012%						
0.500%	0.000%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.300%	0.025%						
1.000%	0.000%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.600%	0.050%						
1.500%	0.000%	37.8%	0.0%	0.0%	0.0%	0.0%	0.0%	0.900%	0.075%						
2.000%	0.000%	100.0%	0.4%	0.0%	0.0%	0.0%	0.0%	1.200%	0.100%						
3.000%	0.000%	100.0%	100.0%	12.7%	0.0%	0.0%	0.0%	1.800%	0.150%						
4.000%	0.000%	100.0%	100.0%	94.1%	10.5%	0.0%	0.0%	2.400%	0.200%						
5.000%	0.000%	100.0%	100.0%	100.0%	71.4%	0.0%	0.0%	3.000%	0.250%						

**Class B-1 Cumulative Write-down Amount**  
(as % of the Class B-1 Original Class Principal Balance)

<u>CER</u>	<u>RM</u>	<u>0% CPR</u>	<u>5% CPR</u>	<u>10% CPR</u>	<u>15% CPR</u>	<u>25% CPR</u>	<u>35% CPR</u>	<u>CER</u>	<u>RM</u>	<u>0% CPR</u>	<u>5% CPR</u>	<u>10% CPR</u>	<u>15% CPR</u>	<u>25% CPR</u>	<u>35% CPR</u>
0.250%	0.000%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.150%	0.012%						
0.500%	0.000%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.300%	0.025%						
1.000%	0.000%	57.1%	6.7%	0.0%	0.0%	0.0%	0.0%	0.600%	0.050%						
1.500%	0.000%	100.0%	55.0%	12.3%	0.0%	0.0%	0.0%	0.900%	0.075%						
2.000%	0.000%	100.0%	100.0%	46.1%	11.8%	0.0%	0.0%	1.200%	0.100%						
3.000%	0.000%	100.0%	100.0%	100.0%	61.4%	6.2%	0.0%	1.800%	0.150%						
4.000%	0.000%	100.0%	100.0%	100.0%	100.0%	38.2%	0.0%	2.400%	0.200%						
5.000%	0.000%	100.0%	100.0%	100.0%	100.0%	68.7%	22.7%	3.000%	0.250%						

**Class B-2 Cumulative Write-down Amount**  
(as % of the Class B-2 Original Class Principal Balance)

<u>CER</u>	<u>RM</u>	<u>0% CPR</u>	<u>5% CPR</u>	<u>10% CPR</u>	<u>15% CPR</u>	<u>25% CPR</u>	<u>35% CPR</u>	<u>CER</u>	<u>RM</u>	<u>0% CPR</u>	<u>5% CPR</u>	<u>10% CPR</u>	<u>15% CPR</u>	<u>25% CPR</u>	<u>35% CPR</u>
0.250%	0.000%	41.7%	28.0%	20.0%	15.0%	9.5%	6.6%	0.150%	0.012%						
0.500%	0.000%	81.8%	55.1%	39.4%	29.7%	18.8%	13.2%	0.300%	0.025%						
1.000%	0.000%	100.0%	100.0%	76.8%	58.1%	37.2%	26.2%	0.600%	0.050%						
1.500%	0.000%	100.0%	100.0%	100.0%	85.5%	55.1%	39.0%	0.900%	0.075%						
2.000%	0.000%	100.0%	100.0%	100.0%	100.0%	72.6%	51.5%	1.200%	0.100%						
3.000%	0.000%	100.0%	100.0%	100.0%	100.0%	100.0%	76.0%	1.800%	0.150%						
4.000%	0.000%	100.0%	100.0%	100.0%	100.0%	100.0%	99.7%	2.400%	0.200%						
5.000%	0.000%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	3.000%	0.250%						

### *Yield Tables*

Based upon the Modeling Assumptions and the assumed prices in the table captions, the following tables show pre-tax yields to maturity (corporate bond equivalent) of the Notes at various CPR percentages, CER percentages and RM percentages.

#### **Class M-2A Pre-Tax Yield to Maturity (Assumed Price = [      ]%)**

<u>CER</u>	<u>RM</u>	<u>0% CPR</u>	<u>5% CPR</u>	<u>10% CPR</u>	<u>15% CPR</u>	<u>25% CPR</u>	<u>35% CPR</u>	<u>CER</u>	<u>RM</u>	<u>0% CPR</u>	<u>5% CPR</u>	<u>10% CPR</u>	<u>15% CPR</u>	<u>25% CPR</u>	<u>35% CPR</u>
0.250%	0.00%							0.150%	0.012%						
0.500%	0.00%							0.300%	0.025%						
1.000%	0.00%							0.600%	0.050%						
1.500%	0.00%							0.900%	0.075%						
2.000%	0.00%							1.200%	0.100%						
3.000%	0.00%							1.800%	0.150%						
4.000%	0.00%							2.400%	0.200%						
5.000%	0.00%							3.000%	0.250%						

#### **Class M-2B Pre-Tax Yield to Maturity (Assumed Price = [      ]%)**

<u>CER</u>	<u>RM</u>	<u>0% CPR</u>	<u>5% CPR</u>	<u>10% CPR</u>	<u>15% CPR</u>	<u>25% CPR</u>	<u>35% CPR</u>	<u>CER</u>	<u>RM</u>	<u>0% CPR</u>	<u>5% CPR</u>	<u>10% CPR</u>	<u>15% CPR</u>	<u>25% CPR</u>	<u>35% CPR</u>
0.250%	0.00%							0.150%	0.012%						
0.500%	0.00%							0.300%	0.025%						
1.000%	0.00%							0.600%	0.050%						
1.500%	0.00%							0.900%	0.075%						
2.000%	0.00%							1.200%	0.100%						
3.000%	0.00%							1.800%	0.150%						
4.000%	0.00%							2.400%	0.200%						
5.000%	0.00%							3.000%	0.250%						

#### **Class B-1 Pre-Tax Yield to Maturity (Assumed Price = [      ]%)**

<u>CER</u>	<u>RM</u>	<u>0% CPR</u>	<u>5% CPR</u>	<u>10% CPR</u>	<u>15% CPR</u>	<u>25% CPR</u>	<u>35% CPR</u>	<u>CER</u>	<u>RM</u>	<u>0% CPR</u>	<u>5% CPR</u>	<u>10% CPR</u>	<u>15% CPR</u>	<u>25% CPR</u>	<u>35% CPR</u>
0.250%	0.000%							0.150%	0.012%						
0.500%	0.000%							0.300%	0.025%						
1.000%	0.000%							0.600%	0.050%						
1.500%	0.000%							0.900%	0.075%						
2.000%	0.000%							1.200%	0.100%						
3.000%	0.000%							1.800%	0.150%						
4.000%	0.000%							2.400%	0.200%						
5.000%	0.000%							3.000%	0.250%						



**Class B-2 Pre-Tax Yield to Maturity (Assumed Price = [      ]%)**

<u>CER</u>	<u>RM</u>	<u>0% CPR</u>	<u>5% CPR</u>	<u>10% CPR</u>	<u>15% CPR</u>	<u>25% CPR</u>	<u>35% CPR</u>	<u>CER</u>	<u>RM</u>	<u>0% CPR</u>	<u>5% CPR</u>	<u>10% CPR</u>	<u>15% CPR</u>	<u>25% CPR</u>	<u>35% CPR</u>
0.250%	0.00%							0.150%	0.012%						
0.500%	0.00%							0.300%	0.025%						
1.000%	0.00%							0.600%	0.050%						
1.500%	0.00%							0.900%	0.075%						
2.000%	0.00%							1.200%	0.100%						
3.000%	0.00%							1.800%	0.150%						
4.000%	0.00%							2.400%	0.200%						
5.000%	0.00%							3.000%	0.250%						

**Class M-2 Pre-Tax Yield to Maturity (Assumed Price = [      ]%)**

<u>CER</u>	<u>RM</u>	<u>0% CPR</u>	<u>5% CPR</u>	<u>10% CPR</u>	<u>15% CPR</u>	<u>25% CPR</u>	<u>35% CPR</u>	<u>CER</u>	<u>RM</u>	<u>0% CPR</u>	<u>5% CPR</u>	<u>10% CPR</u>	<u>15% CPR</u>	<u>25% CPR</u>	<u>35% CPR</u>
0.250%	0.000%							0.150%	0.012%						
0.500%	0.000%							0.300%	0.025%						
1.000%	0.000%							0.600%	0.050%						
1.500%	0.000%							0.900%	0.075%						
2.000%	0.000%							1.200%	0.100%						
3.000%	0.000%							1.800%	0.150%						
4.000%	0.000%							2.400%	0.200%						
5.000%	0.000%							3.000%	0.250%						

**Class M-2AR Pre-Tax Yield to Maturity (Assumed Price = [      ]%)**

<u>CER</u>	<u>RM</u>	<u>0% CPR</u>	<u>5% CPR</u>	<u>10% CPR</u>	<u>15% CPR</u>	<u>25% CPR</u>	<u>35% CPR</u>	<u>CER</u>	<u>RM</u>	<u>0% CPR</u>	<u>5% CPR</u>	<u>10% CPR</u>	<u>15% CPR</u>	<u>25% CPR</u>	<u>35% CPR</u>
0.250%	0.00%							0.150%	0.012%						
0.500%	0.00%							0.300%	0.025%						
1.000%	0.00%							0.600%	0.050%						
1.500%	0.00%							0.900%	0.075%						
2.000%	0.00%							1.200%	0.100%						
3.000%	0.00%							1.800%	0.150%						
4.000%	0.00%							2.400%	0.200%						
5.000%	0.00%							3.000%	0.250%						

**Class M-2AS Pre-Tax Yield to Maturity (Assumed Price = [      ]%)**

<u>CER</u>	<u>RM</u>	<u>0% CPR</u>	<u>5% CPR</u>	<u>10% CPR</u>	<u>15% CPR</u>	<u>25% CPR</u>	<u>35% CPR</u>	<u>CER</u>	<u>RM</u>	<u>0% CPR</u>	<u>5% CPR</u>	<u>10% CPR</u>	<u>15% CPR</u>	<u>25% CPR</u>	<u>35% CPR</u>
0.250%	0.00%							0.150%	0.012%						
0.500%	0.00%							0.300%	0.025%						
1.000%	0.00%							0.600%	0.050%						
1.500%	0.00%							0.900%	0.075%						
2.000%	0.00%							1.200%	0.100%						
3.000%	0.00%							1.800%	0.150%						
4.000%	0.00%							2.400%	0.200%						
5.000%	0.00%							3.000%	0.250%						

**Class M-2AT Pre-Tax Yield to Maturity (Assumed Price = [       ]%)**

<u>CER</u>	<u>RM</u>	<u>0% CPR</u>	<u>5% CPR</u>	<u>10% CPR</u>	<u>15% CPR</u>	<u>25% CPR</u>	<u>35% CPR</u>	<u>CER</u>	<u>RM</u>	<u>0% CPR</u>	<u>5% CPR</u>	<u>10% CPR</u>	<u>15% CPR</u>	<u>25% CPR</u>	<u>35% CPR</u>
0.250%	0.00%							0.150%	0.012%						
0.500%	0.00%							0.300%	0.025%						
1.000%	0.00%							0.600%	0.050%						
1.500%	0.00%							0.900%	0.075%						
2.000%	0.00%							1.200%	0.100%						
3.000%	0.00%							1.800%	0.150%						
4.000%	0.00%							2.400%	0.200%						
5.000%	0.00%							3.000%	0.250%						

**Class M-2AU Pre-Tax Yield to Maturity (Assumed Price = [       ]%)**

<u>CER</u>	<u>RM</u>	<u>0% CPR</u>	<u>5% CPR</u>	<u>10% CPR</u>	<u>15% CPR</u>	<u>25% CPR</u>	<u>35% CPR</u>	<u>CER</u>	<u>RM</u>	<u>0% CPR</u>	<u>5% CPR</u>	<u>10% CPR</u>	<u>15% CPR</u>	<u>25% CPR</u>	<u>35% CPR</u>
0.250%	0.00%							0.150%	0.012%						
0.500%	0.00%							0.300%	0.025%						
1.000%	0.00%							0.600%	0.050%						
1.500%	0.00%							0.900%	0.075%						
2.000%	0.00%							1.200%	0.100%						
3.000%	0.00%							1.800%	0.150%						
4.000%	0.00%							2.400%	0.200%						
5.000%	0.00%							3.000%	0.250%						

**Class M-2AI Pre-Tax Yield to Maturity (Assumed Price = [       ]%)**

<u>CER</u>	<u>RM</u>	<u>0% CPR</u>	<u>5% CPR</u>	<u>10% CPR</u>	<u>15% CPR</u>	<u>25% CPR</u>	<u>35% CPR</u>	<u>CER</u>	<u>RM</u>	<u>0% CPR</u>	<u>5% CPR</u>	<u>10% CPR</u>	<u>15% CPR</u>	<u>25% CPR</u>	<u>35% CPR</u>
0.250%	0.00%							0.150%	0.012%						
0.500%	0.00%							0.300%	0.025%						
1.000%	0.00%							0.600%	0.050%						
1.500%	0.00%							0.900%	0.075%						
2.000%	0.00%							1.200%	0.100%						
3.000%	0.00%							1.800%	0.150%						
4.000%	0.00%							2.400%	0.200%						
5.000%	0.00%							3.000%	0.250%						

**Class M-2BR Pre-Tax Yield to Maturity (Assumed Price = [       ]%)**

<u>CER</u>	<u>RM</u>	<u>0% CPR</u>	<u>5% CPR</u>	<u>10% CPR</u>	<u>15% CPR</u>	<u>25% CPR</u>	<u>35% CPR</u>	<u>CER</u>	<u>RM</u>	<u>0% CPR</u>	<u>5% CPR</u>	<u>10% CPR</u>	<u>15% CPR</u>	<u>25% CPR</u>	<u>35% CPR</u>
0.250%	0.00%							0.150%	0.012%						
0.500%	0.00%							0.300%	0.025%						
1.000%	0.00%							0.600%	0.050%						
1.500%	0.00%							0.900%	0.075%						
2.000%	0.00%							1.200%	0.100%						
3.000%	0.00%							1.800%	0.150%						
4.000%	0.00%							2.400%	0.200%						
5.000%	0.00%							3.000%	0.250%						

**Class M-2BS Pre-Tax Yield to Maturity (Assumed Price = [        ]%)**

<u>CER</u>	<u>RM</u>	<u>0% CPR</u>	<u>5% CPR</u>	<u>10% CPR</u>	<u>15% CPR</u>	<u>25% CPR</u>	<u>35% CPR</u>	<u>CER</u>	<u>RM</u>	<u>0% CPR</u>	<u>5% CPR</u>	<u>10% CPR</u>	<u>15% CPR</u>	<u>25% CPR</u>	<u>35% CPR</u>
0.250%	0.00%							0.150%	0.012%						
0.500%	0.00%							0.300%	0.025%						
1.000%	0.00%							0.600%	0.050%						
1.500%	0.00%							0.900%	0.075%						
2.000%	0.00%							1.200%	0.100%						
3.000%	0.00%							1.800%	0.150%						
4.000%	0.00%							2.400%	0.200%						
5.000%	0.00%							3.000%	0.250%						

**Class M-2BT Pre-Tax Yield to Maturity (Assumed Price = [        ]%)**

<u>CER</u>	<u>RM</u>	<u>0% CPR</u>	<u>5% CPR</u>	<u>10% CPR</u>	<u>15% CPR</u>	<u>25% CPR</u>	<u>35% CPR</u>	<u>CER</u>	<u>RM</u>	<u>0% CPR</u>	<u>5% CPR</u>	<u>10% CPR</u>	<u>15% CPR</u>	<u>25% CPR</u>	<u>35% CPR</u>
0.250%	0.00%							0.150%	0.012%						
0.500%	0.00%							0.300%	0.025%						
1.000%	0.00%							0.600%	0.050%						
1.500%	0.00%							0.900%	0.075%						
2.000%	0.00%							1.200%	0.100%						
3.000%	0.00%							1.800%	0.150%						
4.000%	0.00%							2.400%	0.200%						
5.000%	0.00%							3.000%	0.250%						

**Class M-2BU Pre-Tax Yield to Maturity (Assumed Price = [        ]%)**

<u>CER</u>	<u>RM</u>	<u>0% CPR</u>	<u>5% CPR</u>	<u>10% CPR</u>	<u>15% CPR</u>	<u>25% CPR</u>	<u>35% CPR</u>	<u>CER</u>	<u>RM</u>	<u>0% CPR</u>	<u>5% CPR</u>	<u>10% CPR</u>	<u>15% CPR</u>	<u>25% CPR</u>	<u>35% CPR</u>
0.250%	0.00%							0.150%	0.012%						
0.500%	0.00%							0.300%	0.025%						
1.000%	0.00%							0.600%	0.050%						
1.500%	0.00%							0.900%	0.075%						
2.000%	0.00%							1.200%	0.100%						
3.000%	0.00%							1.800%	0.150%						
4.000%	0.00%							2.400%	0.200%						
5.000%	0.00%							3.000%	0.250%						

**Class M-2BI Pre-Tax Yield to Maturity (Assumed Price = [        ]%)**

<u>CER</u>	<u>RM</u>	<u>0% CPR</u>	<u>5% CPR</u>	<u>10% CPR</u>	<u>15% CPR</u>	<u>25% CPR</u>	<u>35% CPR</u>	<u>CER</u>	<u>RM</u>	<u>0% CPR</u>	<u>5% CPR</u>	<u>10% CPR</u>	<u>15% CPR</u>	<u>25% CPR</u>	<u>35% CPR</u>
0.250%	0.00%							0.150%	0.012%						
0.500%	0.00%							0.300%	0.025%						
1.000%	0.00%							0.600%	0.050%						
1.500%	0.00%							0.900%	0.075%						
2.000%	0.00%							1.200%	0.100%						
3.000%	0.00%							1.800%	0.150%						
4.000%	0.00%							2.400%	0.200%						
5.000%	0.00%							3.000%	0.250%						

**Class M-2R Pre-Tax Yield to Maturity (Assumed Price = [      ]%)**

<u>CER</u>	<u>RM</u>	<u>0% CPR</u>	<u>5% CPR</u>	<u>10% CPR</u>	<u>15% CPR</u>	<u>25% CPR</u>	<u>35% CPR</u>	<u>CER</u>	<u>RM</u>	<u>0% CPR</u>	<u>5% CPR</u>	<u>10% CPR</u>	<u>15% CPR</u>	<u>25% CPR</u>	<u>35% CPR</u>
0.250%	0.00%							0.150%	0.012%						
0.500%	0.00%							0.300%	0.025%						
1.000%	0.00%							0.600%	0.050%						
1.500%	0.00%							0.900%	0.075%						
2.000%	0.00%							1.200%	0.100%						
3.000%	0.00%							1.800%	0.150%						
4.000%	0.00%							2.400%	0.200%						
5.000%	0.00%							3.000%	0.250%						

**Class M-2S Pre-Tax Yield to Maturity (Assumed Price = [      ]%)**

<u>CER</u>	<u>RM</u>	<u>0% CPR</u>	<u>5% CPR</u>	<u>10% CPR</u>	<u>15% CPR</u>	<u>25% CPR</u>	<u>35% CPR</u>	<u>CER</u>	<u>RM</u>	<u>0% CPR</u>	<u>5% CPR</u>	<u>10% CPR</u>	<u>15% CPR</u>	<u>25% CPR</u>	<u>35% CPR</u>
0.250%	0.00%							0.150%	0.012%						
0.500%	0.00%							0.300%	0.025%						
1.000%	0.00%							0.600%	0.050%						
1.500%	0.00%							0.900%	0.075%						
2.000%	0.00%							1.200%	0.100%						
3.000%	0.00%							1.800%	0.150%						
4.000%	0.00%							2.400%	0.200%						
5.000%	0.00%							3.000%	0.250%						

**Class M-2T Pre-Tax Yield to Maturity (Assumed Price = [      ]%)**

<u>CER</u>	<u>RM</u>	<u>0% CPR</u>	<u>5% CPR</u>	<u>10% CPR</u>	<u>15% CPR</u>	<u>25% CPR</u>	<u>35% CPR</u>	<u>CER</u>	<u>RM</u>	<u>0% CPR</u>	<u>5% CPR</u>	<u>10% CPR</u>	<u>15% CPR</u>	<u>25% CPR</u>	<u>35% CPR</u>
0.250%	0.00%							0.150%	0.012%						
0.500%	0.00%							0.300%	0.025%						
1.000%	0.00%							0.600%	0.050%						
1.500%	0.00%							0.900%	0.075%						
2.000%	0.00%							1.200%	0.100%						
3.000%	0.00%							1.800%	0.150%						
4.000%	0.00%							2.400%	0.200%						
5.000%	0.00%							3.000%	0.250%						

**Class M-2U Pre-Tax Yield to Maturity (Assumed Price = [      ]%)**

<u>CER</u>	<u>RM</u>	<u>0% CPR</u>	<u>5% CPR</u>	<u>10% CPR</u>	<u>15% CPR</u>	<u>25% CPR</u>	<u>35% CPR</u>	<u>CER</u>	<u>RM</u>	<u>0% CPR</u>	<u>5% CPR</u>	<u>10% CPR</u>	<u>15% CPR</u>	<u>25% CPR</u>	<u>35% CPR</u>
0.250%	0.00%							0.150%	0.012%						
0.500%	0.00%							0.300%	0.025%						
1.000%	0.00%							0.600%	0.050%						
1.500%	0.00%							0.900%	0.075%						
2.000%	0.00%							1.200%	0.100%						
3.000%	0.00%							1.800%	0.150%						
4.000%	0.00%							2.400%	0.200%						
5.000%	0.00%							3.000%	0.250%						

**Class M-2I Pre-Tax Yield to Maturity (Assumed Price = [     ]%)**

<u>CER</u>	<u>RM</u>	<u>0% CPR</u>	<u>5% CPR</u>	<u>10% CPR</u>	<u>15% CPR</u>	<u>25% CPR</u>	<u>35% CPR</u>	<u>CER</u>	<u>RM</u>	<u>0% CPR</u>	<u>5% CPR</u>	<u>10% CPR</u>	<u>15% CPR</u>	<u>25% CPR</u>	<u>35% CPR</u>
0.250%	0.00%							0.150%	0.012%						
0.500%	0.00%							0.300%	0.025%						
1.000%	0.00%							0.600%	0.050%						
1.500%	0.00%							0.900%	0.075%						
2.000%	0.00%							1.200%	0.100%						
3.000%	0.00%							1.800%	0.150%						
4.000%	0.00%							2.400%	0.200%						
5.000%	0.00%							3.000%	0.250%						

You should make investment decisions based on determinations of anticipated rates of prepayments, Credit Events and Modification Events under a variety of scenarios. You should fully consider the risk that the occurrence of Credit Events and Modification Events on the Reference Obligations could result in a loss of your investment.

**USE OF PROCEEDS**

The Indenture Trustee will use the net proceeds from the sale of the Notes to purchase Eligible Investments.



## CERTAIN LEGAL ASPECTS OF THE REFERENCE OBLIGATIONS

The following discussion provides general summaries of certain legal aspects of mortgage loans which are general in nature. The summaries do not purport to be complete. They do not reflect the laws of any particular state nor the laws of all states in which the mortgaged properties may be situated. This is because these legal aspects are governed in part by the law of the state that applies to a particular mortgaged property and the laws of the states may vary substantially. You should refer to the applicable federal and state laws governing the Reference Obligations.

### Security Instruments

*Mortgages and Deeds of Trust.* The Reference Obligations are evidenced by mortgage notes secured by first mortgages, depending upon the prevailing practice and law in the state in which the related mortgaged property is located, on residential properties consisting of one- to four-family dwelling units, townhouses, individual condominium units, individual units in planned unit developments, individual co-operative units, manufactured homes or leaseholds. Each mortgage note and related mortgage loan are obligations of one or more mortgagors and require the related mortgagor to make monthly payments of principal and interest. In some states, a mortgage or deed of trust creates a lien upon the real property encumbered by the mortgage or deed of trust. However, in other states, the mortgage or deed of trust conveys legal title to the property, respectively, to the mortgagee or to a trustee for the benefit of the mortgagee subject to a condition subsequent (i.e., the payment of the indebtedness secured thereby). The lien created by the mortgage or deed of trust is not prior to the lien for real estate taxes and assessments and other charges imposed under governmental police powers. Priority between mortgages depends on their terms or on the terms of separate subordination or inter-creditor agreements, on the knowledge of the parties in some cases and generally on the order of recordation of the mortgages in the appropriate recording office. There are two parties to a mortgage, the mortgagor, who is homeowner, and the mortgagee, who is the lender. In the case of a land trust, there are three parties because title to the property is held by a land trustee under a land trust agreement of which the mortgagor is the beneficiary; at origination of a mortgage loan, the mortgagor executes a separate undertaking to make payments on the mortgage note. Although a deed of trust is similar to a mortgage, a deed of trust has three parties: the trustor, who is the mortgagor-homeowner; the beneficiary, who is the lender; and a third-party grantee called the trustee. Under a deed of trust, the mortgagor grants the property, irrevocably until the debt is paid, in trust, generally with a power of sale, to the trustee to secure payment of the obligation. The trustee's authority under a deed of trust, the grantee's authority under a deed to secure debt and the mortgagee's authority under a mortgage are governed by the law of the state in which the real property is located, the express provisions of the deed of trust or mortgage, and, in deed of trust transactions, the directions of the beneficiary.

*Co-operative Loans.* Some of the Reference Obligations are co-operative loans. A co-operative is owned by tenant-stockholders, who, through ownership of stock, shares or membership certificates in the corporation, receive proprietary leases or occupancy agreements which confer exclusive rights to occupy specific co-operative units. The co-operative owns the real property and the specific units and is responsible for management of the property. An ownership interest in a co-operative and the accompanying rights are financed through a co-operative share loan evidenced by a promissory note and secured by a security interest in the co-operative shares or occupancy agreement or proprietary lease.

### Foreclosure

*Foreclosing Mortgages and Deeds of Trust.* Foreclosure of a deed of trust in most states is generally most efficiently accomplished by a non-judicial trustee's sale under a specific provision in the deed of trust which authorizes the trustee to sell the property upon any default by the mortgagor under the terms of the note or deed of trust. In addition to any notice requirements contained in a deed of trust, in some states the trustee must record a notice of default and send a copy to the trustor and to any person who has recorded a request for a copy of notice of default and notice of sale. In addition, the trustee must provide notice in some states to any other individual having an interest of record in the real property, including any junior lienholders.

In some states, the trustor has the right to reinstate the loan at any time following default until shortly before the trustee's sale. Generally in these states, the mortgagor, or any other person having a junior encumbrance on the real estate, may, during a reinstatement period, cure the default by paying the entire amount in arrears plus

the costs and expenses incurred in enforcing the obligation. If the deed of trust is not reinstated within a specified period, a notice of sale must be posted in a public place and, in most states, published for a specific period of time in one or more newspapers in a specified manner prior to the date of trustee's sale. In addition, some state laws require that a copy of the notice of sale be posted on the property and sent to all parties having an interest of record in the real property.

Generally, the foreclosure action is initiated by the service of legal pleadings upon all parties having an interest of record in the real property. Delays in completion of the foreclosure may occasionally result from difficulties in locating necessary parties. Over the past few years, judicial foreclosure proceedings have become increasingly contested, with challenges often raised to the right of the foreclosing party to maintain the foreclosure action. The resolution of these proceedings can be time-consuming.

In the case of foreclosure under either a mortgage or a deed of trust, the sale by the referee or other designated officer or by the trustee is a public sale. The proceeds received by the referee or trustee from the sale are applied first to the costs, fees and expenses of the sale and then in satisfaction of the indebtedness secured by the mortgage or deed of trust under which the sale was conducted. Any remaining proceeds are generally payable to the holders of junior mortgages or deeds of trust and other liens and claims in order of their priority, whether or not the mortgagor is in default under such instruments. Any additional proceeds are generally payable to the mortgagor or trustor. The payment of the proceeds to the holders of junior mortgages may occur in the foreclosure action of the senior mortgagee or may require the institution of separate legal proceedings. It is common for the lender to purchase the property from the trustee, referee or other designated officer for a credit bid less than or equal to the unpaid principal amount of the note plus the accrued and unpaid interest and fees due under the note and the expense of foreclosure. If the credit bid is equal to, or more than, the mortgagor's obligations on the loan, the mortgagor's debt will be extinguished. However, if the lender purchases the property for an amount less than the total amount owed to the lender, it preserves its right against a mortgagor to seek a deficiency judgment if such a remedy is available under state law and the related loan documents, in which case the mortgagor's obligation will continue to the extent of the deficiency. Regardless of the purchase price paid by the foreclosing lender, the lender will be responsible to pay the costs, fees and expenses of the sale, which sums are generally added to the mortgagor's indebtedness. In some states, there is a statutory minimum purchase price which the lender must offer for the property and generally, state law controls the maximum amount of foreclosure costs and expenses, including attorneys' fees, which may be recovered by a lender. Thereafter, subject to the right of the mortgagor in some states to remain in possession during any redemption period, the lender will assume the burdens of ownership, including obtaining hazard insurance, paying taxes and making the repairs at its own expense as are necessary to render the property suitable for sale. Generally, the lender will obtain the services of a real estate broker or auction company and pay the broker's or auctioneer's commission in connection with the subsequent sale of the property. Depending upon market conditions, the ultimate proceeds of the sale of the property may not equal the lender's investment in the property and, as described above, in some states, the lender may be entitled to a deficiency judgment. Any such loss in connection with a Reference Obligation will be treated as an actual realized loss experienced on such Reference Obligation.

Foreclosure proceedings are governed by general equitable principles. Some of these equitable principles are designed to relieve the mortgagor from the legal effect of its defaults under the loan documents. Examples of judicial remedies that have been fashioned include judicial requirements that the lender undertake affirmative and expensive actions to determine the causes for the mortgagor's default and the likelihood that the mortgagor will be able to reinstate the loan. In some cases, courts have substituted their judgment for the lender's judgment and have required that lenders reinstate loans or recast payment schedules in order to accommodate mortgagors who are suffering from temporary financial hardship. In other cases, courts have limited the right of the lender to foreclose if the default under the mortgage instrument is not monetary, such as the mortgagor's failure to adequately maintain the property or the mortgagor's execution of a second mortgage or deed of trust affecting the property. Finally, some courts have been faced with the issue of whether or not federal or state constitutional provisions reflecting due process concerns for adequate notice require that mortgagors under deeds of trust or mortgages receive notices in addition to the statutorily-prescribed minimums for the content and timing of such notices. For the most part, these cases have upheld the notice provisions as being reasonable or have found that the sale by a trustee under a deed of trust, or under a mortgage having a power of sale, does not involve sufficient state action to afford constitutional protection to the mortgagor.

Under certain loan modification programs, to the extent a servicer is considering qualifying the related mortgagor for a loan modification after foreclosure proceedings have already been initiated, our Guide and, for mortgaged properties that are principal residences, CFPB regulations, require the servicer to halt foreclosure proceedings until it has determined whether the mortgagor has qualified for the loan modification.

In response to an unusually large number of foreclosures in recent years, a growing number of states have enacted laws that subject the holder to certain notice and/or waiting periods prior to commencing a foreclosure. For example, in Massachusetts, the Attorney General's Office may review and possibly terminate the foreclosure of any 1-4 family residential mortgage that is secured by the mortgagor's principal dwelling. In some instances, these laws require the servicer of the mortgage to consider modification of the mortgage or an alternative option prior to proceeding with foreclosure. The effect of these laws has been to delay foreclosure in particular jurisdictions.

The mortgages or the "Assignments of Mortgage" for some of the Reference Obligations may have been recorded in the name of Mortgage Electronic Registration Systems, Inc., solely as nominee for the originator and its successors and assigns. Subsequent assignments of those mortgages are registered electronically through the MERS system. The recording of mortgages in the name of MERS has been challenged in a number of states. Although many decisions have accepted MERS as mortgagee, some courts have held that MERS is not a proper party to conduct a foreclosure and have required that the mortgage be reassigned to the entity that is the economic owner of the mortgage loan before a foreclosure can be conducted. In states where such a rule is in effect, there may be delays and additional costs in commencing, prosecuting and completing foreclosure proceedings and conducting foreclosure sales of mortgaged properties. In addition, mortgagors are raising new challenges to the recording of mortgages in the name of MERS, including challenges questioning the ownership and enforceability of mortgage loans registered in MERS. An adverse decision in any jurisdiction may delay the foreclosure process.

With respect to any mortgage loans registered on the MERS system, the servicer must comply with all of the requirements of MERS regarding instituting foreclosure proceedings. In addition, mortgage loans registered in the MERS system will be required to be removed from the MERS system by the servicer upon 90 days of delinquency.

*Foreclosing Co-operative Loans.* The co-operative shares owned by the tenant-stockholder and pledged to the lender or lender's agent or trustee are, in almost all cases, subject to restrictions on transfer as set forth in the co-operative's certificate of incorporation and bylaws, as well as the tenant-stockholder's proprietary lease or occupancy agreement, and may be cancelled by the co-operative for failure by the tenant-stockholder to pay rent or other obligations or charges owed by such tenant-stockholder, including mechanics' liens against the co-operative's property incurred by such tenant-stockholder. A proprietary lease or occupancy agreement generally permits the co-operative to terminate such lease or agreement in the event a tenant-stockholder fails to make payments or defaults in the performance of covenants required thereunder. Furthermore, a default by the tenant-stockholder under the proprietary lease or occupancy agreement will usually constitute a default under the security agreement between the lender and the tenant-stockholder.

Typically, the lender and the co-operative enter into a recognition agreement which establishes the rights and obligations of both parties in the event of a default by the tenant-stockholder with respect to its obligations under the proprietary lease or occupancy agreement and/or the security agreement. The recognition agreement generally provides that, in the event that the tenant-stockholder has defaulted under the proprietary lease or occupancy agreement, the co-operative will take no action to terminate such lease or agreement until the lender has been provided with an opportunity to cure the defaults. The recognition agreement typically provides that if the proprietary lease or occupancy agreement is terminated, the co-operative will recognize the lender's lien in respect of the proprietary lease or occupancy agreement, and will deliver to the lender the proceeds from the sale of the co-operative apartment unit to a third party up to the amount to which the lender is entitled by reason of its lien, subject to the co-operative's right to sums due under such proprietary lease or occupancy agreement. The total amount owed to the co-operative by the tenant-stockholder, which the lender generally cannot restrict and does not monitor, may reduce the proceeds available to the lender to an amount below the outstanding principal balance of the co-operative loan and accrued and unpaid interest thereon.

Recognition agreements typically also provide that in the event of a foreclosure on a co-operative loan, the lender must obtain the approval or consent of the co-operative as required by the proprietary lease or occupancy agreement before transferring the co-operative shares or assigning the proprietary lease to a third-party. Generally, the lender is not limited in any rights it may have to dispossess the tenant-stockholders.

In some states, foreclosure on the co-operative shares is accomplished by a sale in accordance with the provisions of Article 9 of the Uniform Commercial Code and the security instrument relating to those shares. Article 9 requires that a sale be conducted in a “commercially reasonable” manner. Whether a foreclosure sale has been conducted in a “commercially reasonable” manner will vary depending on the facts in each case and state law. In determining commercial reasonableness, a court typically will look to the notice (which generally includes a publication requirement) given the mortgagor and third parties and the method, manner, time, place and terms of the foreclosure.

As described above, any provision in the recognition agreement regarding the right of the co-operative to receive sums due under the proprietary lease or occupancy agreement prior to the lender’s reimbursement supplements any requirement under Article 9 that the proceeds of the sale will be applied first to pay the costs and expenses of the sale and then to satisfy the indebtedness secured by the lender’s security interest. If there are proceeds remaining after application to costs and expenses of the sale, amounts due under the proprietary lease or occupancy agreement, and satisfaction of the indebtedness, the lender must account to the tenant-stockholder for such surplus. Conversely, if a portion of the indebtedness remains unpaid, the tenant-stockholder is generally responsible for the deficiency.

In the case of foreclosure on a co-operative that was converted from a rental building to a co-operative under a non-eviction plan, some states require that a purchaser at a foreclosure sale take the property subject to rent control and rent stabilization laws which apply to certain tenants who elected to remain in the building but who did not purchase shares in the co-operative when the building was so converted.

### **Rights of Redemption**

The purpose of a foreclosure action in respect of a mortgaged property is to enable the lender to realize upon its security and to bar the mortgagor, and all persons who have interests in the property that are subordinate to that of the foreclosing lender, from exercise of their “equity of redemption.” The doctrine of equity of redemption provides that, until the property encumbered by a mortgage has been sold in accordance with a properly conducted foreclosure and foreclosure sale, those having interests that are subordinate to that of the foreclosing lender have an equity of redemption and may redeem the property by paying the entire debt with interest. Those having an equity of redemption must generally be made parties and joined in the foreclosure proceeding and provided statutorily prescribed notice, in the case of a non-judicial foreclosure, in order for their equity of redemption to be terminated.

The equity of redemption is a common-law (non-statutory) right which should be distinguished from post-sale statutory rights of redemption. In some states, after a trustee’s sale pursuant to a deed of trust or foreclosure of a mortgage, the mortgagor and foreclosed junior lienors are given a statutory period in which to redeem the property. In some states, statutory redemption may occur only upon payment of the foreclosure sale price. In other states, redemption may be permitted if the former mortgagor pays only a portion of the sums due. The effect of a statutory right of redemption is to diminish the ability of the lender to sell the foreclosed property because the exercise of a right of redemption would defeat the title of any purchase through a foreclosure. Consequently, the practical effect of the redemption right is to force the lender to maintain the property and pay the expenses of ownership until the redemption period has expired which will increase the realized losses on the Reference Obligation. In some states, a post-sale statutory right of redemption may exist following a judicial foreclosure, but not following a trustee’s sale under a deed of trust.

### **Anti-Deficiency Legislation and Other Limitations on Lenders**

Some states have imposed statutory prohibitions which limit the remedies of a beneficiary under a deed of trust or a mortgagee under a mortgage. In some states (including California), statutes limit the right of the beneficiary or mortgagee to obtain a deficiency judgment against the mortgagor following non-judicial foreclosure by power of sale. A deficiency judgment is a personal judgment against the former mortgagor equal

in most cases to the difference between the net amount realized upon the public sale of the real property and the amount due to the lender. In the case of a mortgage loan secured by a property owned by a trust where the mortgage note is executed on behalf of the trust, a deficiency judgment against the trust following foreclosure or sale under a deed of trust, even if obtainable under applicable law, may be of little value to the mortgagee or beneficiary if there are no trust assets against which the deficiency judgment may be executed. Some state statutes require the beneficiary or mortgagee to exhaust the security afforded under a deed of trust or mortgage by foreclosure in an attempt to satisfy the full debt before bringing a personal action against the mortgagor. In other states, the lender has the option of bringing a personal action against the mortgagor on the debt without first exhausting the security; however in some of these states, the lender, following judgment on the personal action, may be deemed to have elected a remedy and may be precluded from exercising other remedies, including with respect to the security. Consequently, the practical effect of the election requirement, in those states permitting the election, is that lenders will usually proceed against the security first rather than bringing a personal action against the mortgagor. This also allows the lender to avoid the delays and costs associated with going to court. Finally, in some states, statutory provisions limit any deficiency judgment against the former mortgagor following a foreclosure to the excess of the outstanding debt over the fair value of the property at the time of the public sale. The purpose of these statutes is generally to prevent a beneficiary or mortgagee from obtaining a large deficiency judgment against the former mortgagor as a result of low or no bids at the foreclosure sale.

In addition to laws limiting or prohibiting deficiency judgments, numerous other federal and state statutory provisions, including the federal bankruptcy laws and state laws affording relief to debtors, may interfere with or affect the ability of the secured mortgage lender to realize upon collateral or enforce a deficiency judgment. For example, under the United States Bankruptcy Code, virtually all actions (including foreclosure actions and deficiency judgment proceedings) to collect a debt are automatically stayed upon the filing of the bankruptcy petition and, often, no interest or principal payments are made during the course of the bankruptcy case. The delay and the consequences thereof can be significant. Also, under the United States Bankruptcy Code, the filing of a petition in a bankruptcy by or on behalf of a junior lienor may stay the senior lender from taking action on a property that secures the junior lien. Moreover, with respect to federal bankruptcy law, a court with federal bankruptcy jurisdiction may permit a debtor through his or her Chapter 11 or Chapter 13 rehabilitative plan to cure a monetary default in respect of a mortgage loan on a debtor's residence by paying arrearage within a reasonable time period and reinstating the original mortgage loan payment schedule even though the lender accelerated the mortgage loan and final judgment of foreclosure had been entered in state court (provided no sale of the residence had yet occurred) prior to the filing of the debtor's petition. Some federal bankruptcy courts have approved plans, based on the particular facts of the reorganization case, that effected the curing of a mortgage loan default by paying arrearage over a number of years.

Federal bankruptcy courts have also held that the terms of a mortgage loan secured by property of the debtor may be modified. These courts have allowed modifications that include reducing the amount of each monthly payment, changing the rate of interest, altering the repayment schedule, forgiving all or a portion of the debt and reducing the lender's security interest to the value of the residence, thus leaving the lender a general unsecured creditor for the difference between the value of the residence and the outstanding balance of the loan. Generally, however, the terms of a mortgage loan secured only by a mortgage on real property that is the debtor's principal residence may not be modified pursuant to a plan confirmed pursuant to Chapter 13 except with respect to mortgage payment arrearages, which may be cured within a reasonable time period.

Tax liens arising under the Code may have priority over the lien of a mortgage or deed of trust. In addition, substantive requirements are imposed upon mortgage lenders and servicers in connection with the origination and the servicing of mortgage loans by numerous federal and some state consumer protection laws and their implementing regulations. These laws and regulations include the federal Truth-in-Lending Act and Regulation Z, the Real Estate Settlement Procedures Act and Regulation X, the Equal Credit Opportunity Act and Regulation B, the Fair Credit Billing Act and Regulation Z, the Fair Credit Reporting Act and Regulation V and related statutes. These federal laws impose specific statutory liabilities upon lenders who originate mortgage loans and who fail to comply with the provisions of the law. Further, violations of the laws could result in a mortgagor's defense to foreclosure or an unwinding or rescission of the loan. In some cases, this liability may affect assignees of the mortgage loans; however we may require a seller or servicer who violated applicable law to repurchase the related mortgage loan, compensate us for any losses incurred and/or indemnify us against future losses.



## **Enforceability of Due-On-Sale Clauses**

The Reference Obligations will typically include “due-on-sale clauses” which allow the holder of such Reference Obligation to demand payment in full of the remaining principal balance upon sale or certain transfers of the property securing such Reference Obligation. The enforceability of these clauses has been the subject of legislation or litigation in many states, and in some cases the enforceability of these clauses was limited or denied. However, the Garn-St Germain Act preempts state constitutional, statutory and case law that prohibits the enforcement of due-on-sale clauses and permits lenders to enforce these clauses in accordance with their terms, subject to limited exceptions. The Garn-St Germain Act does “encourage” lenders to permit assumption of loans at the original rate of interest or at some other rate less than the average of the original rate and the market rate.

The Garn-St Germain Act also sets forth nine specific instances in which a mortgage lender covered by the Garn-St Germain Act may not exercise a due-on-sale clause, notwithstanding the fact that a transfer of the property may have occurred and, under the Guide, we have expanded the Garn-St Germain Act’s list of permissible transfers of property with respect to which a mortgage lender may not exercise a due-on-sale clause. These include, amongst others, certain intra-family transfers, some transfers by operation of law, leases of fewer than three years and the creation of a junior encumbrance. Regulations promulgated under the Garn-St Germain Act also prohibit the imposition of a prepayment penalty upon the acceleration of a loan pursuant to a due-on-sale clause.

The inability to enforce a due-on-sale clause may result in a Reference Obligation bearing an interest rate below the current market rate rather than being paid off, which may have an impact upon the average life of the Reference Obligations and the number of Reference Obligations which may be outstanding until maturity.

## **Subordinate Financing**

When a mortgagor encumbers their mortgaged property with one or more junior liens, the senior lender is subjected to additional risk. First, the mortgagor may have difficulty servicing and repaying multiple loans. Second, acts of the senior lender that prejudice the junior lender or impair the junior lender’s security may create a superior equity in favor of the junior lender. For example, if the mortgagor and the senior lender agree to an increase in the principal amount of or the interest rate payable on the senior loan, the senior lender may lose its priority to the extent an existing junior lender is harmed or the mortgagor is additionally burdened. Third, if the mortgagor defaults on the senior loan and/or any junior loan or loans, the existence of junior loans and actions taken by junior lenders can impair the security available to the senior lender and can interfere with or delay the taking of action by the senior lender. Moreover, the bankruptcy of a junior lender may operate to stay foreclosure or similar proceedings by the senior lender. In addition, the consent of the junior lender is sometimes required in connection with loan modifications, short sales and deeds-in-lieu of foreclosure, which may delay or prevent the loss mitigation actions taken by the senior lender.

## **Servicemembers Civil Relief Act**

Under the terms of the Relief Act, various rights and protections apply to a mortgagor who is a servicemember who enters military service. For purposes of the application of the Relief Act to a servicemember, military service includes (i) active duty by a member of the Army, Navy, Air Force, Marine Corps or Coast Guard (including a member of the reserves called to active duty and a member of the National Guard activated under a federal call to active duty), (ii) service by a member of the National Guard under a call to active service authorized by the President of the United States or the Secretary of Defense for a period of more than 30 consecutive days for purposes of responding to a national emergency declared by the President and supported by federal funds, and (iii) active service by a commissioned officer of either the Public Health Service or the National Oceanic and Atmospheric Administration. In addition, certain provisions of the Relief Act also apply to (i) a member of a reserve component upon receipt of an order to report for military service, and (ii) a person ordered to report for induction under the Military Selective Service Act upon receipt of an order for induction. Upon application to a court, a dependent of a servicemember is also entitled to certain limited protections under the Relief Act if the dependent’s ability to comply with an obligation is materially affected by reason of the servicemember’s military service. Because the Relief Act extends rights and protections to mortgagors who enter military service after origination of the mortgage loan, no information can be provided as to the number of Reference Obligations that may be affected by the Relief Act.

The Relief Act imposes limitations that would impair the ability of the servicer to foreclose on an affected mortgage loan originated before the mortgagor's period of military service. In an action filed during, or within 90 days after, a mortgagor's period of military service to enforce a mortgage loan, a court may stay the proceedings or adjust the mortgage loan to preserve the interests of all parties. Moreover, a sale, foreclosure or seizure of property for breach of a mortgage loan is not valid if made during, or within 90 days after, the period of the mortgagor's military service, except upon a court order granted before such sale, foreclosure or seizure or pursuant to a written waiver by the mortgagor. The Relief Act also provides that a period of military service may not be included in computing any period provided by law for the redemption of real property sold or forfeited to enforce an obligation. Thus, in the event that the Relief Act or similar legislation or regulations applies to any mortgage loan which goes into default, there may be delays in payment and losses on the related securities in connection therewith. Any other interest shortfalls, deferrals or forgiveness of payments on the Reference Obligations resulting from similar legislation or regulations may result in delays in payments or losses to Noteholders.

Many states have enacted or may enact their own military relief laws, which may provide for greater rights and protections than those set forth in the Relief Act, including rights and protections for National Guard members called to active state service by a Governor.

### **CERTAIN CONSIDERATIONS UNDER THE COMMODITY EXCHANGE ACT**

The following is a summary of certain considerations under the CEA and the CFTC's rules for CPOs that may be relevant to a prospective investor in the Notes. Because the Trust is considered to be a commodity pool, as discussed under "*Risk Factors — Risks Associated with the Commodity Exchange Act*", investors should evaluate whether their investment in Notes changes their status or the status of persons who may be considered their operators for purposes of the CFTC's rules. This discussion does not purport to deal with all aspects of the CEA or the CFTC's rules thereunder that may be relevant to investors in light of their particular circumstances.

The discussion addresses certain exemptions and exclusions from CPO registration that may be available to investors depending on the circumstances, but the information is not intended to be comprehensive or to provide legal advice. Investors should consult with their own legal advisors in order to determine whether they may be considered commodity pools and, if so, whether an exemption or exclusion from CPO registration is available to their operators and if any filing, disclosure or other action is required.

The discussion is based on current provisions of the Commodity Exchange Act, CFTC's existing regulations thereunder, and various interpretive guidance and no-action relief that has been provided by the staff of the CFTC from time to time. The CFTC's Part 4 rules include most, but not all, of the regulations relating to commodity pool operators, including certain exclusions under CFTC Rule 4.5, certain exemptions under CFTC Rule 4.13, and a "registration lite" regime under CFTC Rule 4.7. Other parts of the legal and regulatory framework for commodity pool operators are found in the CEA itself, other CFTC rules, rules of the National Futures Association (the "NFA"), court decisions, interpretive guidance published by the CFTC and its staff, and various no-action letters. No assurance can be given that legislative, regulatory, judicial, or administrative changes, or changes in staff guidance or positions, will not affect the accuracy of any statements herein with respect to transactions entered into or contemplated prior to the effective date of any such changes.

#### **General**

The CEA gives the CFTC authority to regulate the operators of "commodity pools," which the CFTC also sometimes describes as "collective investment vehicles" "operated for the purpose of trading in commodity interests". Since the adoption of the Dodd-Frank Act in 2010, the term "commodity interests" has included swaps as well as commodity futures, commodity options and certain other interests. Moreover, the CFTC has broadly interpreted what it means to establish a fund "for the purpose of trading in commodity interests" to include entry into a single commodity interest (e.g., a single swap).

Investment funds and other collective investment vehicles, as well as their asset managers, sponsors or operators, generally need to consider the applicability of the CFTC's rules for commodity pool operators when they make direct or indirect investments in commodity interests. An indirect investment can result from an

investment in an entity that is considered a commodity pool. Positions held by fund subsidiaries, including subsidiaries wholly owned by the fund, may also be attributed up to the fund.

Under the CFTC's rules, the regulatory burden is placed on the commodity pool operator, rather than on the commodity pool. Unlike under the Investment Company Act, where a key issue is whether the entity itself is required to register with the SEC as an investment company, commodity pools do not register with the CFTC. Instead, if an entity is a commodity pool, it is the operator of that commodity pool that will need to either register or rely on exemption from registration. Certain investment funds or collective investment vehicles are also excluded from the definition of "commodity pool," even where the nature of their investments would otherwise bring them within the scope of the rules.

The remainder of this discussion addresses certain exemptions and exclusions from CPO registration, including exemptions under select no-action letters and interpretive guidance, as well as a brief description of the compliance regime for those claiming such exemptions and exclusions. However, this is a complex area and investors should consult their own counsel in connection with any investment in the Notes.

#### ***The de minimis exemption — CFTC Rule 4.13(a)(3)***

The CFTC Rule 4.13(a)(3) exemption is intended to provide an exemption from registration for CPOs that maintain their pools' investments in commodity interests below specified *de minimis* thresholds. The CFTC Rule 4.13(a)(3) exemption has four key elements:

- Interests in the pool are exempt from registration under the Securities Act and are offered and sold without marketing to the public in the United States;
- Participations in the pool are not marketed as or in a vehicle for trading in commodity interests (the "marketing prong");
- The pool's participants are "qualified eligible persons," as defined in CFTC Rule 4.7, "accredited investors," as defined in Rule 501 under the Securities Act, or "knowledgeable employees" as defined in Rule 3c-5 under the Investment Company Act; and
- The pool's investments in commodity interests satisfy one of the two trading limits described below.

There are two alternative trading limits to satisfy the *de minimis* threshold, each of which is based on all commodity interest positions held by the pool, including positions held for bona fide hedging purposes: either (i) the aggregate initial margin or premium to establish its commodity interest positions must be less than or equal to 5% of the liquidation value of the pool's portfolio, or (ii) the aggregate net notional value of the pool's applicable commodity interest positions must be less than or equal to 100% of the liquidation value of the pool's portfolio (the "net notional" trading limit). CPOs relying on CFTC Rule 4.13(a)(3) must also comply with specified filing, disclosure, record keeping and other requirements, a brief and non-exhaustive summary of which is included under "*— Claiming the De Minimis Exemption*" below.

As discussed under "*Risk Factors — Risks Associated with the Commodity Exchange Act*," the Trust has been established to satisfy the net notional trading limit and other conditions of CFTC Rule 4.13(a)(3), except that the significance to the Trust of the Credit Protection Agreement (which is a swap) has raised certain questions with respect to the ability of the Trust to fully comply with the marketing prong. Accordingly, the Trust is further relying on the no-action relief from CPO registration provided in the No-Action Letter. Because the No-Action Letter requires that the Trust satisfy the *de minimis* trading requirement of CFTC Rule 4.13(a)(3), investors may treat each investment in a Note as if Freddie Mac is claiming the CFTC Rule 4.13(a)(3) exemption.

#### ***Entities subject to other legal and regulatory regimes — the CFTC Rule 4.5 exclusions***

CFTC Rule 4.5 contains various exclusions from the definition of a CPO for certain entities that are subject to other regulatory regimes. Entities that fall within one of these definitional exclusions are not "CPOs" and are thus not required to register as such with the CFTC. The CFTC Rule 4.5 exclusions apply to SEC-registered investment companies, state-regulated insurance companies, US-regulated banks, trust companies and other

insured depository institutions, and trustees or other fiduciaries of pension plans. In each such instance, however, various conditions must be met for the exclusion to apply.

Like the CFTC Rule 4.13(a)(3) exemption, the CFTC Rule 4.5 exclusion for SEC-registered investment companies includes a trading restriction intended to require the commodity interest investments of the registered investment company to remain below one of two *de minimis* thresholds. Unlike the CFTC Rule 4.13(a)(3) exemption, however, the compliance with CFTC Rule 4.5 *de minimis* thresholds is determined *after excluding* positions held for bona fide hedging purposes. Otherwise the trading limit for registered investment companies is quite similar to that under CFTC Rule 4.13: either (i) the aggregate initial margin or premium to establish its commodity interest positions must be less than or equal to 5% of the liquidation value of the pool's portfolio, or (ii) the aggregate net notional value of the pool's applicable commodity interest positions must be less than or equal to 100% of the liquidation value of the pool's portfolio. Again in line with CFTC Rule 4.13(a)(3), CFTC Rule 4.5 requires that a registered investment company relying on the rule will not be, and has not been, marketed to the public as or in a commodity pool or otherwise as or in a vehicle for trading in commodity interests.

CFTC Rule 4.5 contains the following additional exclusions from the definition of commodity pool operator, which require a notice filing with the NFA but are not subject to a trading limit:

- State-regulated insurance companies, with respect to separate accounts (insurance companies investing general account assets are not considered to be commodity pools)
- A bank, trust company and other financial depository institution subject to state or US regulation, with respect to any trust, custodial account or other separate unit of investment for which it is acting as a fiduciary and for which it is vested with investment authority
- Trustees of, named fiduciaries of (or a person designated or acting as a fiduciary pursuant to a written contract with the named fiduciary) or an employer maintaining a pension plan that is subject to Title I of ERISA acting with respect to such pension plan if such pension plan is operated in accordance with CFTC Rule 4.5(c)(2), which requires disclosures that there is no registered CPO and submission to CFTC special calls.

Entities relying on CFTC Rule 4.5 exclusion must also comply with specified filing and disclosure requirements, a brief and non-exhaustive summary of which is included under “— *Claiming the Rule 4.5 Exclusion*” below.

In addition, CFTC Rule 4.5 specifically provides that the following employee benefit plans are not commodity pools and thus their operators do not need to claim an exclusion under CFTC Rule 4.5:

- A noncontributory plan, whether defined benefit or defined contribution, covered under Title I of ERISA
- A contributory defined benefit plan covered under Title IV of ERISA, provided that employees are not allowed to commit a portion of their contributions as margin or premiums for futures or options contracts;
- Any employee welfare benefit plan that is subject to the fiduciary responsibility provisions of ERISA;
- A plan defined as a governmental plan in Section 3(32) of Title I of ERISA; and
- A plan defined as a church plan in Section 3(33) of Title I of ERISA with respect to which no election has been made under 26 USC 410(d).

#### ***REIT no action and interpretive letters***

Following the inclusion of swaps as commodity interests, the CFTC granted no action and interpretive relief to two different types of real estate investment trusts (REITs). Mortgage REITs (mREITs) that hold commodity interests are in fact commodity pools, but their CPOs can claim an exemption from registration provided in CFTC Letter 12-44. By contrast, equity REITs—which are primarily operating companies and restricted in their

use of derivatives—are excluded from the definition of commodity pool under CFTC Letter 12-13 if they meet the conditions set forth in that letter.

*Conditions for mREIT no-action relief (CFTC Letter 12-44):*

To be able to rely on the no-action relief in CFTC Letter 12-44, an mREIT must:

- Limit the initial margin and premiums required to establish its commodity interest positions to no more than 5 percent of the fair market value of the mREIT's total assets;
- Limit the net income derived annually from commodity interest positions that are not qualifying hedging positions to no more than 5 percent of its gross income;
- The mREIT fund interests must not be marketed as or in a commodity pool or as or in a vehicle for trading commodity futures, commodity options or swaps;
- The mREIT has either identified itself as a mortgage REIT in its tax filings or, if it has not yet filed its first tax report, has informed its participants that it intends to file as a mortgage REIT; and
- The CPO for the mREIT has made notice filings with the CFTC that it is relying on the exemption from registration for the operators of mortgage REITs

*Conditions for equity REIT exclusion (Letter 12-13):*

To be able to rely on the interpretive guidance in CFTC Letter 12-44, an equity REIT must:

- Primarily derive its income from the ownership and management of real estate and use derivatives to mitigate exposure to changes in interest rates or fluctuations in currency;
- Be operated so as to comply with all of the requirements of a REIT election under the Internal Revenue Code, including 26 U.S.C. §856(c)(2) (the 75 percent test) and 26 U.S.C. §856(c)(3) (the 95 percent test); and
- Have either identified itself as an equity REIT in its tax filings or, if it has not yet filed its first tax report, have informed its participants that it intends to file as an equity REIT.

The interpretive guidance for equity REITs is self-effectuating, meaning that no notice filing with the CFTC or NFA needs to be made.

***Funds of funds***

As noted above under “— *General*,” in some circumstances an investment by a fund in another entity that is a commodity pool may cause the investing fund to be considered a “fund of funds” subject to the jurisdiction of the CFTC. Funds of funds must then look to the CFTC's interpretive guidance and no-action relief to determine how the investment affects the CPO registration status of their operators under the CFTC's rules.

Prior to the adoption of amendments to the CFTC's Part 4 rules in 2012, those rules included an appendix that provided guidance for funds of funds to consider in evaluating the CPO registration status of their operators (“Prior Appendix A,” a copy of which is attached to this Memorandum as Appendix G). Prior Appendix A was intended to assist funds of funds in evaluating their compliance with the trading limits in CFTC Rule 4.13(a)(3) by providing certain examples of the types of investments that the fund might make and how to analyze those in relation to the *de minimis* trading threshold. The CFTC repealed Prior Appendix A, with a stated intention of replacing it, but has not replaced it. The staff of the CFTC has stated that, in the interim, fund operators may continue to look to the Prior Appendix A to analyze their positions.

The CFTC made that interim position more formal by issuing CFTC Letter 12-38. CFTC Letter 12-38 allows fund operators to use Prior Appendix A in evaluating a fund's compliance with the trading limits of both CFTC Rule 4.13(a)(3) and, for registered investment companies, CFTC Rule 4.5. CFTC Letter 12-38 imposes certain requirements that funds of funds must satisfy in complying with the *de minimis* thresholds of CFTC Rule 4.13(a)(3) or CFTC Rule 4.5, including that the fund's direct investment in commodity interests does not exceed the trading thresholds of CFTC Rule 4.13(a)(3) or CFTC Rule 4.5, as applicable, and the CPO does not



know and could not have reasonably known that the fund of fund's indirect exposure to commodity interests derived from investment in commodity pools exceeds the applicable trading thresholds of CFTC Rule 4.13(a)(3) or CFTC Rule 4.5, either calculated directly or through the use of Prior Appendix A. Funds of funds are required to submit an email notice to the CFTC to claim the relief under CFTC Letter 12-38. Although the deadline for such email notice as stated in CFTC Letter 12-38 has passed, it is our understanding that the CFTC continues to accept notices pursuant to that letter.

Investors should consider, in consultation with their own counsel, whether an investment in a Note will cause them to be considered a fund of funds. For purposes of applying the CFTC's fund of funds guidance, we note that the No-Action Letter requires the Trust to satisfy the *de minimis* trading requirement of CFTC Rule 4.13(a)(3). Accordingly, investors may treat each investment in a Note as if we are claiming the CFTC Rule 4.13(a)(3) exemption.

#### ***Claiming the *de minimis* exemption***

In order to claim the CFTC Rule 4.13(a)(3) exemption, a CPO must file a form with the NFA and an annual electronic affirmation of its NFA filing. The form is available on the NFA's website and is electronically submitted. In addition, the CPO must provide each participant in the fund with a statement that the person is exempt from registration as a CPO, and that accordingly, the CPO will not be required to provide prospective investors with a CFTC-compliant disclosure document or certified annual reports that satisfy the CFTC's requirements. In addition, as noted above, entities that rely on the fund of funds no action letter (CFTC Letter 12-38) may be required to send an email message to the CFTC in order to claim the exemption under that letter.

An exempt CPO relying on CFTC Rule 4.13(a)(3) still must satisfy certain requirements under CFTC and NFA rules. These requirements include, for example, that a CPO relying on the *de minimis* exemption is required to make and keep all books and records prepared in connection with its activities as a CPO for 5 years from the date of preparation, and such records must be readily accessible during the first 2 years. All such books and records must be available for inspection upon request by the CFTC and the DOJ (among other agencies). The exempt CPO is also subject to special calls for information by the CFTC. There are additional requirements and the information in this section is not exhaustive. An exempt CPO relying on CFTC Rule 4.13(a)(3) should consult its own counsel with respect to its compliance obligations under the CFTC's and NFA's rules.

#### ***Claiming the CFTC Rule 4.5 CPO exclusion***

In order to claim a CPO exclusion under CFTC Rule 4.5, a fund manager must file a form with the NFA and an annual electronic affirmation of its NFA filing. The form is available on the NFA's website and is electronically submitted. In addition, as noted above, entities that rely on the fund of funds no action letter (CFTC Letter 12-38) may be required to send an email message to the CFTC in order to claim the exemption under that letter. Furthermore, the CPO must provide each participant in the fund with a statement that the person has claimed an exclusion from the definition of the term "commodity pool operator" under the Commodity Exchange Act and, therefore, is not subject to registration or regulation as a CPO under the Commodity Exchange Act. Advisors to registered investment companies relying on the exclusion must also make certain representations as part of the notice filing related to the use of commodity interests. The entity is subject to special calls for information by the CFTC. There are additional requirements and the information in this section is not exhaustive. An entity relying on the CFTC Rule 4.5 exclusion should consult its own counsel with respect to its compliance obligations under the CFTC's and NFA's rules.

## CERTAIN UNITED STATES FEDERAL TAX CONSEQUENCES

The Notes and payments on the Notes generally are not exempt from taxation by the United States, or by any state or possession of the United States, local taxing authority or non-U.S. taxing jurisdictions. In addition, a Note owned by an individual who, at the time of death, is a U.S. citizen or domiciliary is subject to U.S. federal estate tax. The following summary addresses certain U.S. federal tax consequences of an investment in the Notes and is based upon U.S. tax laws, the U.S. Treasury regulations and decisions now in effect, all of which are subject to change, potentially with retroactive effect, or to differing interpretations. In addition to the U.S. federal income tax discussion below, investors are urged to carefully review this entire Memorandum and, in particular, the discussion of risks associated with an investment in the Notes in “*Risk Factors*” above.

This summary discusses only Notes held by Beneficial Owners as capital assets within the meaning of Section 1221 of the Code. It does not discuss all of the tax consequences that may be relevant to a Beneficial Owner in light of its particular circumstances or to Beneficial Owners subject to special rules, such as certain financial institutions, insurance companies, certain former citizens or residents of the United States, traders in securities that elect to use a mark-to-market method of accounting for their securities holdings, dealers, Beneficial Owners holding Notes as part of a hedging transaction, straddle, conversion transaction or synthetic security transaction, U.S. Beneficial Owners whose functional currency (as defined in Section 985 of the Code) is not the U.S. dollar, partnerships or other pass-through entities, tax-exempt persons, or regulated investment companies. In all cases, you are advised to consult your own tax advisors regarding the U.S. federal tax consequences to you of purchasing, owning and disposing of Notes, including the advisability of making any of the elections described below and the need to make any disclosures in connection with relevant tax filings, as well as any tax consequences arising under the laws of any state, local, foreign or other taxing jurisdiction. In addition, this summary of certain U.S. federal tax consequences is for general information only and is not tax advice for any particular Beneficial Owner.

If a partnership (or other entity treated as a partnership for U.S. federal income tax purposes) holds Notes, the treatment of a partner will generally depend upon the status of the particular partner and the activities of the partnership. Partners in such partnerships should consult their own tax advisors.

### **Treatment of the Trust**

In the opinion of Shearman & Sterling LLP, U.S. federal tax counsel to Freddie Mac, although the matter is not free from doubt, neither the Trust nor any portion thereof will be classified as an association taxable as a corporation, a publicly traded partnership taxable as a corporation or a taxable mortgage pool taxable as a corporation for U.S. federal income tax purposes. In the opinion of Shearman & Sterling LLP, the Trust will not be treated as engaged in the conduct of a U.S. trade or business as a result of its contemplated activities. The Amended and Restated Trust Agreement contains certain restrictions on the activities of the Trust and the opinion will be based on the assumption that all terms of the Amended and Restated Trust Agreement and related documents will be complied with.

### **Treatment of the Notes**

In the opinion of Shearman & Sterling LLP, U.S. federal tax counsel to Freddie Mac, although the tax characterizations are not free from doubt, the Original Class M Notes, including Notes sold by virtue of a sale of related MAC Notes, will be treated as indebtedness for U.S. federal income tax purposes, and the Class B Notes will be treated in part as a limited recourse guarantee contract and in part as an interest-bearing collateral arrangement to the extent of the principal balance of the Class B Notes for U.S. federal income tax purposes. By purchasing the Notes, Beneficial Owners agree to treat such Notes in the manner described above unless a change in law or administrative practice requires a Note to be treated in some other manner.

Prospective investors of the Notes should be aware that there is no authority that directly addresses the U.S. federal income tax treatment of the Notes, and we have received no ruling from the IRS in connection with the issuance of the Notes. Accordingly, the U.S. federal income tax characterization of the Notes is not certain. The characterization of the Notes may affect the amount, timing and character of income, deduction, gain or loss recognized by a U.S. Beneficial Owner in respect of a Note, and the U.S. withholding tax consequences to a Non-U.S. Beneficial Owner of a Note. As noted, we intend to take the position that the Original Class M Notes will be

treated as indebtedness for U.S. federal income tax purposes, and that the Class B Notes will be treated in part as a limited recourse guarantee contract and in part as an interest-bearing collateral arrangement to the extent of the principal balance of the Class B Notes for U.S. federal income tax purposes. By purchasing Notes, Beneficial Owners will agree to treat their Notes in the manner described above. These characterizations are not binding on the IRS and the IRS may treat one or more Classes of Notes in some other manner. For example, the IRS may treat an Original Class M Note as a derivative instrument issued by us (or, even more unlikely, as an equity interest). Similarly, the IRS may treat the Class B Notes as a derivative (such as an NPC) or an equity interest. In light of the uncertainty as to the characterization of the Notes, prospective investors of Notes should consult their own tax advisors as to the possible alternative characterizations of the Notes for U.S. federal income tax purposes and the U.S. federal income and withholding tax consequences of such alternative characterizations.

## **U.S. Beneficial Owners**

### ***Original Class M Notes***

#### ***In General***

Although principal on the Original Class M Notes is payable generally in relation to principal payments made with respect to the Reference Obligations, the Original Class M Notes represent unsecured general obligations of Freddie Mac for U.S. federal income tax purposes and are not ownership interests in the Reference Obligations or the underlying mortgage loans. Consequently, (i) Original Class M Notes held by a domestic building and loan association will not be “qualifying real property loans” under Section 593(d) of the Code; (ii) Original Class M Notes held by a REIT will not be “real estate assets” under Section 856(c)(5)(B) of the Code, nor will interest payments on the Original Class M Notes be “interest on obligations secured by mortgages on real property or on interests in real property” under Section 856(c)(3)(B) of the Code; and (iii) Original Class M Notes held by a REMIC will not be “qualified mortgages” within the meaning of Section 860G(a)(3) of the Code. The IRS has ruled that Freddie Mac is an instrumentality of the United States for purposes of Section 7701(a)(19) of the Code. While not entirely clear, the Original Class M notes likely constitute stock or obligations of a corporation that is an instrumentality of the United States. However, the Original Class M Notes likely are not treated as “Government securities” within the meaning of Section 856(c)(4)(A) or 851(b)(3) of the Code. Beneficial Owners should consult their own tax advisors as to the proper treatment of the Notes.

#### ***Interest and Original Issue Discount on the Original Class M Notes***

Neither the Code nor the Regulations explain precisely how to accrue income, including OID, taking into account the effect of any principal or interest write-downs, for indebtedness with the characteristics of the Original Class M Notes. The CPDI Regulations generally apply to debt instruments where the amount of a payment under the instrument is subject to one or more contingencies that are neither remote nor incidental. Freddie Mac intends to take the position that, for U.S. federal income tax purposes, the principal and interest write-down contingencies with respect to each Class of Original Class M Notes is remote. Furthermore, the CPDI Regulations do not currently provide tax accounting rules for instruments, like the Original Class M Notes, that also have timing contingencies. Accordingly, while the matter is unclear, Freddie Mac intends to tax account for each Class of Original Class M Notes in the manner described below and not in the manner described in the CPDI Regulations. The IRS could disagree with this tax accounting methodology and require U.S. Beneficial Owners to accrue interest on any Class of Original Class M Notes under a different tax accounting regime, including the CPDI Regulations, in which case the timing, amount and character of income recognized by a U.S. Beneficial Owner with respect to the Original Class M Notes could be materially different than under the method that we intend to use as described below.

Section 1272(a)(6) of the Code provides rules for the accrual of OID in cases when principal payments for a debt instrument are accelerated because of prepayments on other obligations securing the debt instrument. The Reference Obligations do not secure payments on the Original Class M Notes, but principal payments on the Original Class M Notes are made based upon the rate of principal payments on the Reference Obligations. Although Section 1272(a)(6) of the Code does not technically apply to the Original Class M Notes, Freddie Mac is of the position that the method for accruing OID provided in that provision appears to be the method that most clearly reflects income with respect to the Original Class M Notes. Consequently, Freddie Mac intends to apply

the tax accounting principles of Section 1272(a)(6) of the Code to the Original Class M Notes, as described in greater detail below. The remainder of this discussion assumes that the tax accounting methodology for the Original Class M Notes set forth below, based on the principles of Section 1272(a)(6) of the Code, will be respected for U.S. federal income tax purposes other than as specifically discussed otherwise in this Memorandum. U.S. Beneficial Owners should consult their tax advisors regarding the proper manner of tax accounting for the Original Class M Notes for U.S. federal income tax purposes, including the potential application of the CPDI Regulations.

Payments of stated interest on the Original Class M Notes that represent qualified stated interest, if any, will be taxable to a U.S. Beneficial Owner as ordinary interest income at the time that such payments are accrued or are received, in accordance with such U.S. Beneficial Owner's method of accounting for U.S. federal income tax purposes. Qualified stated interest is stated interest that is unconditionally payable in cash at least annually at a single fixed or variable rate that appropriately takes into account the length of intervals between payments. Interest is treated as unconditionally payable even if the payment of such interest is subject to one or more contingencies, so long as any such contingency is remote. Because the Original Class M Notes are subject to reductions in their Class Principal Balances and initial Class Coupons resulting from write-downs with respect to the Reference Obligations, it is unclear whether "interest" on each Class of Original Class M Notes would be treated as unconditionally payable at least annually while the Original Class M Notes are outstanding (for example, because a U.S. Beneficial Owner may not realize the economic return at the stated interest rate). Freddie Mac intends to take the position that, for U.S. federal income tax purposes, stated interest payable on the Classes of Original Class M Notes is qualified stated interest. U.S. Beneficial Owners should be aware, however, that if a principal or interest write-down occurs on any Class of Original Class M Notes, such Class of Original Class M Notes likely would be treated as retired and reissued for its "adjusted issue price" (as defined below, but not reduced on account of any such principal write-down), in which case we will tax account for such deemed reissued Class of Original Class M Notes as having OID for U.S. federal income tax purposes (because the likelihood of principal or interest write-downs would no longer be remote and none of the remaining stated interest will be qualified stated interest). Subsequent principal or interest write-downs or write-ups will not result in further deemed retirements and reissuances, but such write-downs and write-ups would have an effect on the calculation of OID in respect of the deemed reissued Class of Original Class M Notes, as discussed below. The remainder of this discussion assumes that the foregoing treatment is correct.

A debt instrument generally is treated as having OID if its stated redemption price at maturity exceeds its issue price by more than a *de minimis* amount. For this purpose, a debt instrument's stated redemption price at maturity includes all payments on the instrument other than payments of qualified stated interest, and a debt instrument's issue price is the first price at which a substantial amount of the debt instrument is sold to persons other than those acting as placement agents, underwriters, brokers or wholesalers. Because stated interest on each Class of Original Class M Notes will be initially treated as qualified stated interest, it is expected that a Class of Original Class M Notes will have OID only on the basis of its issue price. Such OID generally is not expected other than as described directly below. If a principal or interest write-down occurs with respect to a Class of Original Class M Notes, we will tax account for such Class of Original Class M Notes as having OID at such time. Furthermore, all payments on the Original Class M Notes other than qualified stated interest will be tax accounted for under the principles of Section 1272(a)(6) of the Code. The IRS may not agree with this treatment, including our treatment of the stated interest on each Class of Original Class M Notes as initially being qualified stated interest.

It is expected that on the Closing Date, the Class M-2A and Class M-2B Notes may be immediately exchanged for Class M-2 Notes. It is not entirely clear whether the Class M-2 Notes issued on the Closing Date should be treated as a single debt instrument for purposes of U.S. federal income tax purposes and, as a result, treated as issued without OID or premium. The issue price of each of the Class M-2A and Class M-2B Notes will be determined separately, and each such Class may be treated as issued with OID or premium based on such Note's issue price and will be reported on that basis. U.S. Beneficial Owners should consult their own tax advisors regarding the U.S. federal income tax treatment of the Class M-2A, Class M-2B and Class M-2 Notes.

The U.S. Beneficial Owner's Section 1272(a)(6) Inclusion will equal the excess, if any, of (i) the sum of (A) the present value of all payments remaining to be made on the Original Class M Note as of the end of the Accrual Period and (B) the payments made on the Original Class M Note during the Accrual Period of amounts

included in the stated redemption price, over (ii) the adjusted issue price of such Original Class M Note at the beginning of the Accrual Period. The present value of remaining payments will be calculated based on (i) the original yield to maturity of the Original Class M Note, calculated as of the issue date, (ii) events (including actual prepayments) that have occurred prior to the end of the Accrual Period, and (iii) the relevant prepayment assumption used to price the Original Class M Notes. The original yield to maturity of an Original Class M Note and all remaining payments to be made on an Original Class M Note as of the end of an Accrual Period will be determined by projecting a level of future payments assuming that the variable rate is a fixed rate equal to the value of the variable rate as of the issue date. The adjusted issue price of an Original Class M Note is the sum of its issue price and the aggregate amount of previously accrued OID, less any prior payments of amounts included in its stated redemption price at maturity.

Notwithstanding the foregoing, with respect to taxable years beginning after December 31, 2018, a U.S. Beneficial Owner that uses an accrual method of accounting for U.S. federal income tax purposes and that prepares an “applicable financial statement” (as defined in Code Section 451) may be required to include OID no later than at the time such amounts are reflected on such a financial statement. U.S. Beneficial Owners should consult their tax advisors regarding the effect, if any, of this provision on their individual circumstances.

In certain circumstances (e.g., because of Tranche Write-down Amounts allocated to a Class of Original Class M Notes), a U.S. Beneficial Owner’s Section 1272(a)(6) Inclusion may be negative. In that event, such U.S. Beneficial Owner generally will not be permitted to deduct such amount currently and will be entitled only to offset such amount against future positive Section 1272(a)(6) Inclusions with respect to the Original Class M Notes, and Freddie Mac intends to report income to the IRS in all cases in this manner. Subject to the discussion below, all or a portion of such a U.S. Beneficial Owner’s loss may be treated as a capital loss on the disposition of an Original Class M Note or upon the retirement of an Original Class M Note on the Maturity Date if such U.S. Beneficial Owner holds the Original Class M Note as a capital asset. The timing and character of such losses is not entirely clear, and U.S. Beneficial Owners should consult their tax advisors regarding an Original Class M Note that has a negative Section 1272(a)(6) Inclusion during any Accrual Period. In contrast, a Tranche Write-up Amount allocated to a Class of Original Class M Notes will generally result in a positive Section 1272(a)(6) Inclusion (or reduce the amount of any prior negative Section 1272(a)(6) Inclusions).

#### *Market Discount and Premium on the Original Class M Notes*

A U.S. Beneficial Owner that purchases an Original Class M Note at a “market discount” (i.e., at a price less than its stated redemption price at maturity or, for an obligation issued with OID, its adjusted issue price) will be required (unless such difference is a *de minimis* amount) to treat any principal payments on, or any gain realized in a taxable disposition or retirement of, such Original Class M Note as ordinary income to the extent of the market discount that accrued while such U.S. Beneficial Owner held such Original Class M Note, unless the U.S. Beneficial Owner elects to include such market discount in income on a current basis. A U.S. Beneficial Owner of an Original Class M Note that acquired it at a market discount and that does not elect under Section 1278(b) of the Code to include market discount in income on a current basis also may be required to defer the deduction for a portion of the interest expense on any indebtedness incurred or continued to purchase or carry the Original Class M Note until the deferred income is realized. A U.S. Beneficial Owner who elects to include market discount in income currently must accrue market discount on all debt instruments that it acquires in the taxable year or thereafter and may revoke such election only with the consent of the IRS.

A U.S. Beneficial Owner that purchases an Original Class M Note for an amount in excess of its remaining stated redemption price at maturity will be treated as having premium with respect to such Original Class M Note in the amount of such excess. A U.S. Beneficial Owner that purchases an Original Class M Note at a premium is not required to include in income any OID with respect to such Original Class M Note. If such a U.S. Beneficial Owner makes an election under Section 171(c)(2) of the Code to treat such premium as “amortizable bond premium,” the amount of interest on an Original Class M Note that must be included in such U.S. Beneficial Owner’s income for each Accrual Period will be reduced (but not below zero) by the portion of the premium allocable to such period based on the Original Class M Note’s yield to maturity. If a U.S. Beneficial Owner makes this election, the election will also apply to all taxable bonds held by the U.S. Beneficial Owner at the beginning of, or acquired during and after, the first taxable year to which the election applies, and this election is irrevocable without the consent of the IRS. If this election is not made, such a U.S. Beneficial Owner must



include the full amount of each interest payment in income in accordance with its regular method of accounting and will take the premium into account in computing its gain or loss upon the sale or other disposition or retirement of the Original Class M Note. Thus, the premium may reduce capital gain or increase capital loss realized on the disposition or retirement of the Original Class M Note. See “— *Disposition or Retirement of the Original Class M Notes*” below.

Market discount and premium on a debt instrument to which Section 1272(a)(6) of the Code applies may be treated as accruing either (a) on the basis of a constant interest rate or (b)(1) in the case of an Original Class M Note issued without OID, in the ratio of stated interest payable in the relevant period to the total stated interest remaining to be paid from the beginning of such period (computed taking into account the prepayment assumption) or (2) in the case of an Original Class M Note issued with OID, in the ratio of original issue discount accrued for the relevant period to the total remaining OID at the beginning of such period. The Indenture Trustee will publish at least quarterly a monthly market discount accrual ratio for U.S. Beneficial Owners to determine the amount of market discount and premium using the method described in (b) above.

Notwithstanding the foregoing, with respect to taxable years beginning after December 31, 2017, a U.S. Beneficial Owner that uses an accrual method of accounting for U.S. federal income tax purposes and that prepares an “applicable financial statement” (as defined in Code Section 451) may be required to include market discount and other items of income no later than at the time such amounts are reflected on such a financial statement. U.S. Beneficial Owners should consult their tax advisors regarding the effect, if any, of this provision on their individual circumstances.

The CPDI Regulations provide rules for accruing market discount and premium on a contingent payment debt instrument. Because the CPDI Regulations, however, reserve on the tax accounting for instruments subject to timing contingencies such as the Original Class M Notes, Freddie Mac intends to apply the principles of Section 1272(a)(6) of the Code, as discussed above, in reporting market discount and premium accrual fractions to investors. U.S. Beneficial Owners should consult their own tax advisors regarding the application of the market discount and premium rules and the advisability of making the elections described above for their investments in the Original Class M Notes.

#### *Accrual Method Election for the Original Class M Notes*

A U.S. Beneficial Owner of an Original Class M Note is permitted to elect to include in gross income its entire return on an Original Class M Note (i.e., the excess of all remaining payments to be received on the Original Class M Note over the amount paid for the Original Class M Note by such U.S. Beneficial Owner) based on the compounding of interest at a constant rate. In some instances, the accrual method election may mitigate the amount of potential negative Section 1272(a)(6) Inclusion that may arise with respect to the Original Class M Notes. However, if a U.S. Beneficial Owner makes this election with respect to an Original Class M Note acquired with market discount or premium, respectively, it will be deemed to have made the elections under Section 1278(b) or 171(c)(2) of the Code, respectively. U.S. Beneficial Owners are urged to consult their own tax advisors regarding the consequences of making this election to their particular circumstances.

#### *Disposition or Retirement of the Original Class M Notes*

Upon the sale, exchange or other disposition of an Original Class M Note, or upon the retirement of an Original Class M Note, a U.S. Beneficial Owner will recognize gain or loss in an amount equal to the difference, if any, between the amount realized upon the disposition or retirement (not including any amount attributable to accrued but unpaid interest, which will be taxable separately as ordinary interest income to the extent not previously included in gross income) and the U.S. Beneficial Owner’s adjusted tax basis in the Original Class M Note.

A U.S. Beneficial Owner’s adjusted tax basis in an Original Class M Note for determining gain or loss on the disposition or retirement of an Original Class M Note generally is the U.S. Beneficial Owner’s purchase price of the Original Class M Note, increased by the amount of any OID and any market discount previously included in such U.S. Beneficial Owner’s gross income with respect to such Original Class M Note, and decreased (but not below zero) by (i) the amount of any payments on the Original Class M Note that are part of its stated redemption price at maturity (i.e., payments other than qualified stated interest); and (ii) the portion of any premium applied to reduce interest payments as described above.

The character of gains or losses recognized upon the disposition or retirement of the Original Class M Notes will depend on whether the Original Class M Notes are characterized as contingent payment debt instruments for U.S. federal income tax purposes. As discussed above, the Original Class M Notes will be characterized as contingent payment debt instruments if the amount of a payment under the Original Class M Notes is subject to one or more contingencies that are neither remote nor incidental. If an Original Class M Note is not characterized as a contingent payment debt instrument for U.S. federal income tax purposes, gain or loss recognized upon the disposition or retirement of such Original Class M Note will be capital gain or loss, except to the extent the gain represents accrued market discount on such Original Class M Note not previously included in gross income, to which extent such gain or loss would be treated as ordinary income. Any capital gain or loss upon the disposition or retirement of such Original Class M Note will be long-term capital gain or loss if at the time of disposition or retirement the U.S. Beneficial Owner held the Original Class M Note for more than one year. Certain non-corporate U.S. Beneficial Owners (including individuals) are eligible for preferential rates of U.S. federal income taxation in respect of long-term capital gains. The deductibility of capital losses is subject to limitations under the Code.

In the event that an Original Class M Note is treated as a contingent payment debt instrument for U.S. federal income tax purposes, the CPDI Regulations provide special rules that generally would treat any taxable gain on such Original Class M Note as ordinary income. Any taxable loss generally would be ordinary to the extent of the U.S. Beneficial Owner's ordinary income inclusions with respect to such Original Class M Note, and any excess would generally be treated as capital loss. Further, even if contingencies with respect to a Class of Original Class M Notes are treated as remote or incidental, if one or more such contingencies actually occurs with respect to such Class of Original Class M Notes, such Class of Original Class M Notes likely would be treated as retired and reissued, and we will treat such Class of Original Class M Notes as a contingent payment debt instrument for U.S. federal income tax purposes on such deemed reissuance. Any gain or loss arising from a subsequent disposition of the deemed reissued Class of Original Class M Notes also would be treated as ordinary (subject to the limitations described above with respect to a loss). U.S. Beneficial Owners should consult their own tax advisors regarding the U.S. federal income tax treatment of a disposition or retirement of Original Class M Notes.

### ***Class B Notes***

#### ***In General***

Similar to the Original Class M Notes, the Class B Notes are not ownership interests in the Reference Obligations or the underlying mortgage loans for U.S. federal income tax purposes. Consequently, (i) Class B Notes held by a domestic building and loan association will not be "qualifying real property loans" under Section 593(d) of the Code; (ii) Class B Notes held by a REIT will not be "real estate assets" under Section 856(c)(5)(B) of the Code, nor will stated payments on the Class B Notes be "interest on obligations secured by mortgages on real property or on interests in real property" under Section 856(c)(3)(B) of the Code; and (iii) Class B Notes held by a REMIC will not be "qualified mortgages" within the meaning of Section 860G(a)(3) of the Code. In addition, although the IRS has ruled that Freddie Mac is an instrumentality of the United States for purposes of Section 7701(a)(19) of the Code, the Class B Notes likely do not constitute stock or obligations of a corporation which is an instrumentality of the United States. Furthermore, the Class B Notes likely will not be treated as "Government securities" within the meaning of Section 856(c)(4)(A) or 851(b)(3) of the Code. Beneficial Owners should consult their own tax advisors as to the proper treatment of the Class B Notes.

#### ***Periodic Inclusions (or Deductions) with Respect to the Class B Notes***

As described above, in the opinion of Shearman & Sterling, the Class B Notes will be treated in part as a limited recourse guarantee contract and in part as an interest-bearing collateral arrangement to the extent of the principal balance of the Class B Notes for U.S. federal income tax purposes. By purchasing the Class B Notes, Beneficial Owners agree to treat the Class B Notes in the manner described above unless a change in law or administrative practice requires the Class B Notes to be treated in some other manner. The remainder of this discussion assumes such treatment.

Accordingly, a portion of each payment on each Class B Note attributable to interest on Eligible Investments will be includible as ordinary interest by the Beneficial Owner. Amounts paid on the Class B Notes

in excess of the return realized on Eligible Investments will constitute guarantee payments and will be includible as ordinary income by the Beneficial Owner. Beneficial Owners should consult their tax advisors regarding their specific circumstances.

#### *Losses*

When a write-down occurs on an underlying Reference Obligation, the principal amount of Class B Notes will be written down and Beneficial Owners of the Class B Notes will be deemed to have made a guarantee payment with respect to the actual loss experienced on the Reference Obligation. The deemed guarantee payment will result in a loss to the Beneficial Owner in the taxable year in which the guarantee payment is deemed to be made. In the case of Beneficial Owners other than corporations who hold the Class B Notes as investments, the loss will be treated as a loss from the sale or exchange of a capital asset held for not more than one year. The deductibility of capital losses is subject to limitations under the Code. Taxpayers should consult their tax advisors as to the availability of the loss deduction.

#### *Gain or Loss on Disposition of Class B Notes*

On a sale or other disposition (other than a retirement) of a Class B Note, a U.S. Beneficial Owner will recognize gain or loss in an amount equal to the difference between the amount realized upon the disposition of the Class B Note other than any amount attributable to accrued interest, which will be accounted for in the manner described above, and the U.S. Beneficial Owner's adjusted tax basis in such Class B Note. A U.S. Beneficial Owner who holds a Class B Note as a capital asset will realize capital gain or loss on the sale or other disposition of such Class B Note. U.S. Beneficial Owners should consult their own tax advisors regarding the U.S. federal income tax treatment of a sale or other disposition of Class B Notes.

#### ***Treatment of the MAC Notes for U.S. Beneficial Owners***

*In General.* The MAC Pool will be classified as a grantor trust under subpart E, part I of subchapter J of the Code. The interests in any Exchangeable Notes that are exchanged for MAC Notes will be the assets of the MAC Pool, and the MAC Notes will represent beneficial ownership of such interests in the Exchangeable Notes for U.S. federal income tax purposes.

The Class M-2 Notes represent an interest in more than one Exchangeable Note and each will be treated as an interest in the Exchangeable Notes underlying such MAC Notes. Therefore, such Class likely constitutes an obligation of an instrumentality of the United States for purposes of Section 7701(a)(19) of the Code. However, such Class likely is not treated as a Government security within the meaning of Section 856(c)(4)(A) of the Code, as described above in “— *Original Class M Notes — In General*”. With respect to a MAC Note that is a Strip, while the matter is not free from doubt, such Strips likely constitute obligations of an instrumentality of the United States for purposes of Section 7701(a)(19) of the Code but not as Government securities within the meaning of Section 856(c)(4)(A) of the Code.

#### *Tax Accounting for MAC Notes*

For U.S. Beneficial Owners who exchange the Class M-2A and Class M-2B Notes for the Class M-2 Notes after the Closing Date, such U.S. Beneficial Owners must allocate basis in their Class M-2 Notes among the interests in the underlying Classes of Exchangeable Notes in accordance with their relative fair market values as of the time of acquisition. Such U.S. Beneficial Owners of such Class M-2 Notes must tax account for their beneficial ownership interests in each of the underlying Exchangeable Notes in the manner described above in “— *Original Class M Notes — Interest and Original Issue Discount on the Original Class M Notes*”. Similarly, on the sale of such Class M-2 Notes, U.S. Beneficial Owners must allocate amounts received on the sale among their beneficial ownership interests in the Exchangeable Notes underlying such Class M-2 Notes in accordance with their relative fair market values as of the time of sale. Gain or loss will be determined in the manner described above. See “— *Original Class M Notes — Disposition or Retirement of the Original Class M Notes*” above.

If a U.S. Beneficial Owner exchanges a Class M-2 Note for more than one MAC Note pursuant to Combination 2, 3, 4 or 5, for U.S. federal income tax accounting purposes, such U.S. Beneficial Owner shall be

deemed (A) to have exchanged such Class M-2 Note for corresponding Class M-2A and Class M-2B Notes pursuant to Combination 1 and (B) to have exchanged such Class M-2A and Class M-2B Notes for such MAC Notes corresponding to (i) Combinations 6 and 10, in the case of Combination 2, (ii) Combinations 7 and 11, in the case of Combination 3, (iii) Combinations 8 and 12, in the case of Combination 4 and (iv) Combinations 9 and 13, in the case of Combination 5. If a U.S. Beneficial Owner makes such an exchange, the U.S. Beneficial Owner must tax account for their beneficial interests in the underlying Exchangeable Notes in a manner consistent with such deemed exchanges as described in this section.

If a U.S. Beneficial Owner exchanges an Exchangeable Note (including pursuant to the deemed exchange described above) for more than one MAC Note (which MAC Notes will be Strips) and then sells one of the MAC Notes, the sale will be subject to the coupon stripping rules of Section 1286 of the Code. Under such rules, the selling U.S. Beneficial Owner must allocate basis in the exchanged Exchangeable Note between the part of the Exchangeable Note underlying the MAC Note sold and the part of the Exchangeable Note underlying the MAC Note retained in proportion to their relative fair market values as of the date of such sale. Such Beneficial Owner is treated as purchasing the interest retained for the amount of basis allocated to such interest.

Because the retained interest and the sold interest represent beneficial ownership of a disproportionate part of the principal or interest payments on an Exchangeable Note (i.e., Strips), U.S. Beneficial Owners of such Strips will be treated as owning, pursuant to Section 1286 of the Code, “stripped bonds” to the extent of their share of principal payments and “stripped coupons” to the extent of their share of interest payments on the Exchangeable Note. Although the tax treatment of a Strip is unclear, we intend to treat each Strip as a single debt instrument for purposes of information reporting. The IRS, however, could take a different position. For example, the IRS could contend that OID calculations must be done separately for each payment of principal and interest on a Strip. U.S. Beneficial Owners of Strips should consult their tax advisors regarding this matter.

Additionally, we intend to report with respect to a MAC Note that is a Strip using the assumption that all payments on the Strips are included in its stated redemption price at maturity. Accordingly, a Strip will be treated as issued with OID. A U.S. Beneficial Owner should calculate OID with respect to each Strip and include it in ordinary income as it accrues, which may be prior to the receipt of cash attributable to such income, in accordance with the principles of Section 1272(a)(6) of the Code as described above. A U.S. Beneficial Owner should determine its yield to maturity based on its purchase price allocated to the Strip and on a schedule of payments projected using a prepayment assumption (and a projection of the variable rate if the Strip provides for stated interest at a variable rate), and then make periodic adjustments to take into account actual prepayment experience. It is not clear whether the prepayment assumption a U.S. Beneficial Owner should use to calculate OID would be determined at the time of purchase of the Strip or would be the original prepayment assumption with respect to the related Exchangeable Note. For purposes of information reporting relating to OID, we will use a yield to maturity with respect to the Strip calculated based on the original prepayment assumption (and for Strips that pay stated interest at a variable rate, by computing the yield to maturity and all remaining distributions to be made on the Strip assuming that the variable rate is a fixed rate equal to the value of the variable rate as of the first date that the Strip may be issued for U.S. federal income tax purposes (i.e., the Initial Exchange Date)). U.S. Beneficial Owners should consult their tax advisors regarding these matters.

Notwithstanding the foregoing, with respect to taxable years beginning after December 31, 2018, a U.S. Beneficial Owner that uses an accrual method of accounting for U.S. federal income tax purposes and that prepares an “applicable financial statement” (as defined in Code Section 451) may be required to include OID no later than at the time such amounts are reflected on such a financial statement. U.S. Beneficial Owners should consult their tax advisors regarding the effect, if any, of this provision on their individual circumstances.

If a U.S. Beneficial Owner’s Section 1272(a)(6) Inclusion with respect to a Strip, computed as described above, is negative for any period, the U.S. Beneficial Owner will be entitled to offset such amount only against future positive Section 1272(a)(6) Inclusions with respect to such Strip, and we intend to report income in all cases in this manner. As described above in “— *Original Class M Notes — Interest and Original Issue Discount on the Original Class M Notes*”, the timing and character of such losses is not entirely clear, and U.S. Beneficial Owners should consult their tax advisors as to the proper treatment of a negative Section 1272(a)(6) Inclusion with respect to a Strip.

A U.S. Beneficial Owner of a MAC Note that is a Strip will realize gain or loss on the sale of the Strip in an amount equal to the difference between the amount realized and the U.S. Beneficial Owner's adjusted basis in the Strip. The adjusted basis generally is equal to the allocated cost of the Strip, increased by income previously included, and reduced (but not below zero) by distributions previously received. The character of any gain or loss will likely depend on the character of gain or loss with respect to the related Exchangeable Note. See "*Original Class M Notes — Disposition or Retirement of the Original Class M Notes*" above.

Although the matter is not free from doubt, if a U.S. Beneficial Owner acquires in one transaction a combination of MAC Notes that are Strips and that may be exchanged for an Exchangeable Note, such U.S. Beneficial Owner should be treated as owning the Exchangeable Note.

*Exchanges of Exchangeable Notes for MAC Notes.* An exchange of an interest in one or more Exchangeable Notes for an interest in one or more MAC Notes, or vice versa, will not be a taxable exchange. After the exchange, a U.S. Beneficial Owner will be treated as continuing to own the interests in the Exchangeable Notes or MAC Notes that such U.S. Beneficial Owner owned immediately prior to the exchange.

***Treatment if the Original Class M Notes are Not Respected as Indebtedness or if the Class B Notes are Not Treated in part as a Limited Recourse Guarantee Contract and in part as an Interest-bearing Collateral Arrangement to the Extent of the Principal Balance of the Class B Notes***

As discussed above, the IRS may not agree with Freddie Mac's treatment of the Original Class M Notes as indebtedness for U.S. federal income tax purposes and may, for example, treat the Original Class M Notes as derivatives issued by Freddie Mac (or, even more unlikely, as equity). If the Original Class M Notes were treated as derivatives, the tax accounting for the Original Class M Notes (and MAC Notes representing interests in the related Exchangeable Notes) would be unclear. Similarly, the IRS may not agree with Freddie Mac's treatment of the Class B Notes in part as a limited recourse guarantee contract and in part as an interest-bearing collateral arrangement to the extent of the principal balance of the Class B Notes for U.S. federal income tax purposes and may, for example, treat the Class B Notes as a derivative such as an NPC or an equity interest. Any such alternative treatment could affect the timing, character and source of income, deduction, gain or loss with respect to the Notes. While not entirely clear, if the Class B Notes were treated as a derivative, we are of the position that the U.S. federal income tax accounting rules for NPCs provide the most reasonable method for accounting for income, deduction, gain or loss with respect to the Class B Notes. Prospective investors in Notes should consult their own tax advisors as to the possible alternative characterizations of the Notes for U.S. federal income tax purposes and the U.S. federal income tax consequences of such alternative characterizations.

**Non-U.S. Beneficial Owners**

***Original Class M Notes and MAC Notes***

Subject to the discussion below, although the matter is not free from doubt, payments on the Original Class M Notes (or the MAC Notes) to a Non-U.S. Beneficial Owner will not be subject to U.S. withholding tax.

***Interest***

Interest (including OID) on an Original Class M Note (or a MAC Note) held by a Non-U.S. Beneficial Owner will be subject to a 30-percent U.S. federal income and withholding tax, unless an exemption applies. An exemption generally exists in the following circumstances:

*Exemption for Portfolio Interest.* Interest on an Original Class M Note (or a MAC Note) held by a Non-U.S. Beneficial Owner that is not effectively connected with a trade or business of the Non-U.S. Beneficial Owner within the United States (or if an income tax treaty applies, such interest is not attributable to a U.S. permanent establishment) generally will be exempt from U.S. federal income and withholding taxes if the person otherwise required to withhold receives, in the manner provided by U.S. tax authorities, a certification that the Non-U.S. Beneficial Owner is not a U.S. Person. A Non-U.S. Beneficial Owner may provide this certification by providing a properly completed Form W-8BEN, Form W-8BEN-E or other documentation as may be prescribed by U.S. tax authorities. The portfolio interest exemption will not apply if: (i) the Non-U.S. Beneficial Owner is a bank that receives payments on the Notes that are described in Section 881(c)(3)(A) of the Code; (ii) the Non-U.S.



Beneficial Owner is a “10-percent shareholder” of Freddie Mac within the meaning of Section 871(h)(3)(B) of the Code; or (iii) the Non-U.S. Beneficial Owner is a “controlled foreign corporation” related to Freddie Mac within the meaning of Section 881(c)(3)(C) of the Code.

In addition, the portfolio interest exemption will not apply if the interest payable on the Original Class M Notes (or MAC Notes) is “contingent interest” within the meaning of Section 871(h)(4)(A) of the Code. Among the types of interest treated as contingent for this purpose is interest determined by reference to the income or profits of the issuer or a related person, or a change in value of any property of the issuer or a related person. Certain types of interest that would otherwise be considered contingent are excluded from the definition of contingent interest, such as interest on nonrecourse indebtedness or interest that is determined by reference to interest and/or principal payments on other debt instruments that do not pay contingent interest. Although the matter is not free from doubt, Shearman & Sterling LLP is of the opinion that interest payable on the Original Class M Notes (or MAC Notes) will not be contingent interest for this purpose, either because the interest on the Original Class M Notes does not fit within one of the defined types of contingent interest for this purpose or because an exception to the contingent interest rules applies.

*Exemption or Reduced Rate for Non-U.S. Beneficial Owners Entitled to the Benefits of a Treaty.* Interest on a Note held by a Non-U.S. Beneficial Owner may be exempt from U.S. federal income and withholding taxes (or subject to such tax at a reduced rate) under an income tax treaty between the United States and a foreign jurisdiction. In general, the exemption (or reduced rate) applies only if the Non-U.S. Beneficial Owner provides a properly completed Form W-8BEN, Form W-8BEN-E or other documentation as may be prescribed by U.S. tax authorities.

*Exemption for Non-U.S. Beneficial Owners with Effectively Connected Income.* Interest on an Original Class M Note (or a MAC Note) held by a Non-U.S. Beneficial Owner will be exempt from the 30-percent U.S. withholding tax if it is effectively connected with the conduct of a trade or business within the United States (and if an income tax treaty applies, such interest is attributable to a U.S. permanent establishment) and the Non-U.S. Beneficial Owner establishes this exemption by providing a properly completed Form W-8ECI or other documentation as may be prescribed by U.S. tax authorities. Interest on a Note that is, or is deemed to be, effectively connected with the conduct of a trade or business in the United States by a Non-U.S. Beneficial Owner (and if an income tax treaty applies, such interest is attributable to a U.S. permanent establishment), although exempt from the 30-percent U.S. withholding tax, generally will be subject to U.S. federal income tax at graduated rates and, in the case of a Non-U.S. Beneficial Owner that is a foreign corporation, may also be subject to U.S. federal branch profits tax.

#### *Disposition or Retirement of Original Class M Notes*

Except as provided in the discussion of backup withholding below, a Non-U.S. Beneficial Owner of an Original Class M Note (or a MAC Note) will not be subject to U.S. federal income and withholding taxes on any gain realized on the sale, exchange, retirement or other disposition of an Original Class M Note (other than amounts attributable to accrued interest) unless (i) such gain is, or is deemed to be, effectively connected with a trade or business in the United States of the Non-U.S. Beneficial Owner (and if an income tax treaty applies, such gain is attributable to a U.S. permanent establishment); or (ii) such Non-U.S. Beneficial Owner is an individual who is present in the United States for 183 days or more in the taxable year of the sale, exchange, retirement or other disposition and certain conditions are met.

Except as provided in the discussion of backup withholding below, gain on the sale of an Original Class M Note that is, or is deemed to be, effectively connected with the conduct of a trade or business in the United States by a Non-U.S. Beneficial Owner (and if an income tax treaty applies, such gain is attributable to a U.S. permanent establishment), although exempt from U.S. withholding tax, generally will be subject to U.S. federal income tax at graduated rates, and in the case of a Non-U.S. Beneficial Owner that is a foreign corporation, may also be subject to U.S. federal branch profits tax.

#### *Treatment if the Original Class M Notes are Not Respected as Indebtedness*

As discussed above, the IRS may not agree with Freddie Mac’s treatment of the Original Class M Notes as indebtedness for U.S. federal income tax purposes and may, for example, treat the Original Class M Notes as

derivatives issued by Freddie Mac (or, even more unlikely, as equity). If the Original Class M Notes were treated as derivatives or as equity, income on the Original Class M Notes held by a Non-U.S. Beneficial Owner generally would not be subject to U.S. withholding tax in the case of derivative treatment but generally would be subject to U.S. withholding tax in the case of equity treatment (at a 30 percent rate unless reduced by an applicable income tax treaty). In the opinion of Shearman & Sterling LLP, although the matter is not free from doubt, income in respect of the Original Class M Notes received by Non-U.S. Beneficial Owners will not be subject to U.S. withholding tax, provided that Non-U.S. Beneficial Owners comply with the procedures required to establish their exemptions from U.S. withholding tax (described in “— *Information Reporting and Backup Withholding*” below). Gain on the disposition of the Notes would be subject to U.S. federal income tax only in the circumstances described above under “— *Disposition or Retirement of Original Class M Notes*”.

### ***Class B Notes***

As described above, Shearman & Sterling LLP is of the opinion that the Class B Notes will be treated in part as a limited recourse guarantee contract and in part as an interest-bearing collateral arrangement to the extent of the principal balance of the Class B Notes for U.S. federal income tax purposes. To the extent payments on the Class B Notes are treated as interest with respect to the interest-bearing collateral arrangement, such interest will be eligible for the portfolio interest exemption subject to certain exceptions and requirements. Interest on a Class B Note held by a Non-U.S. Beneficial Owner that is not effectively connected with a trade or business of the Non-U.S. Beneficial Owner within the United States (or if an income tax treaty applies, such interest is not attributable to a U.S. permanent establishment) generally will be exempt from U.S. federal income and withholding taxes if the person otherwise required to withhold receives, in the manner provided by U.S. tax authorities, a certification that the Non-U.S. Beneficial Owner is not a U.S. Person. A Non-U.S. Beneficial owner may provide this certification by providing a properly completed Form W-8BEN, Form W-8BEN-E or other documentation as may be prescribed by U.S. tax authorities. The portfolio interest exemption will not apply if: (i) the Non-U.S. Beneficial Owner is a bank that receives payments on the Notes that are described in Section 881(c)(3)(A) of the Code; (ii) the Non-U.S. Beneficial Owner is a “10-percent shareholder” of Freddie Mac or the Trust, if applicable, within the meaning of Section 871(h)(3)(B) of the Code; or (iii) the Non-U.S. beneficial Owner is a “controlled foreign corporation” related to Freddie Mac within the meaning of Section 881(c)(3)(C) of the Code.

With respect to the portion of payments on the Class B Notes that are treated as guarantee fees, Shearman & Sterling LLP is of the opinion that payments on the Class B Notes will be foreign source for non-U.S. Beneficial Owners that are not engaged in the conduct of a U.S. trade or business (and if an income tax treaty applies, such payments are not attributable to a U.S. permanent establishment). While this will depend on factors specific to each Beneficial Owner, generally the guarantee payments will be foreign source income for Non-U.S. Beneficial Owners who reside outside the United States, make their investment decisions outside of the United States, and maintain their assets outside of the United States. Beneficial Owners should consult their tax advisors regarding their specific circumstances.

Accordingly, Shearman & Sterling LLP is of the opinion that payments to a Non-U.S. Beneficial Owner with respect to the Class B Notes will not be subject to U.S. withholding tax. In addition, no U.S. withholding tax or U.S. federal income tax will apply to any gain realized on the sale, exchange or other disposition on the Class B Notes, unless (i) the Beneficial Owner receiving such amounts is an individual who is present in the United States for more than 183 days or more during the taxable year of the sale, exchange or other disposition and certain conditions are met, or (ii) if such gain is, or is deemed to be, effectively connected with the conduct of a trade or business in the United States (and if an income tax treaty applies, such gain is attributable to a U.S. permanent establishment), as described below. Non-U.S. Beneficial Owners may provide their certification that they are not a U.S. Person by providing the withholding agent a properly-executed Form W-8BEN, Form W-8BEN-E or other documentation as may be prescribed by U.S. tax authorities. The characterization of the guarantee fees as foreign source income for Non-U.S. Beneficial Owners not engaged in the conduct of a U.S. trade or business and as not subject to U.S. withholding tax is not binding on the IRS or withholding agents and is not without doubt. Paying agents other than Freddie Mac and its paying agent making such payments may disagree with such characterization. Accordingly, there can be no assurance that a paying agent that does not agree with such characterization will not withhold on payments with respect to the Class B Notes.

Alternatively, in the event that the Class B Notes are treated as NPCs for U.S. federal income tax purposes, inclusions of payments with respect to any portion of a Class B Note treated as an on-market NPC would not be subject to U.S. withholding tax. In addition, any deemed interest payment with respect to a deemed loan component of a Class B Note would not be subject to U.S. withholding tax if the requirements for the portfolio interest exemption described above in “— *Original Class M Notes and MAC Notes — Interest*” are met. Further, no U.S. withholding tax or U.S. federal income tax should apply to any gain recognized on the sale or other disposition of the Class B Notes, unless the Non-U.S. Beneficial Owner is an individual who is present in the United States for 183 days or more in the taxable year of the sale, exchange, retirement or other disposition and certain conditions are met. In the event the Class B Notes were treated as equity in the Trust for U.S. federal income tax purposes, payments on a Class B Note would be treated as U.S. source income subject to withholding. In addition, if, contrary to the opinion of Shearman & Sterling LLP, the IRS were to successfully assert that the Trust is engaged in a U.S. trade or business and that the Trust is deemed to be a partnership, the Class B Notes could be treated as interests in the deemed partnership engaged in a U.S. trade or business and gain on a disposition of a Class B Note, if any, may be subject to withholding under Section 1446(f).

If payments with respect to the Class B Notes are effectively connected with a Non-U.S. Beneficial Owner’s conduct of a trade or business in the United States (and if an income tax treaty applies, such payments are attributable to a U.S. permanent establishment), these payments would not be subject to U.S. withholding tax, regardless of the characterization of the Class B Notes (but would be subject to U.S. federal income tax in the same manner as they would be if received by a U.S. Beneficial Owner). Such Non-U.S. Beneficial Owners must timely provide the withholding agent a properly-executed IRS Form W-8ECI or other documentation as may be prescribed by U.S. tax authorities stating that the receipt of payments with respect to its Class B Notes is effectively connected with that Non-U.S. Beneficial Owner’s conduct of a trade or business in the United States (and if an income tax treaty applies, such payments are attributable to a U.S. permanent establishment).

Non-U.S. Beneficial Owners will not be eligible for the safe harbor under Section 864(b)(2)(A) that exempts trading in stocks or securities from treatment as the conduct of a U.S. trade or business with respect to the Class B Notes because the Class B Notes do not constitute “stocks or securities” under the Treasury Regulations. Whether an investment in the Class B Notes will be treated as part of the conduct of a U.S. trade or business by a Non-U.S. Beneficial Owner will depend on their particular circumstances. Non-U.S. Beneficial Owners should consult their tax advisors regarding the impact of the investment in the Class B Notes on whether such Non-U.S. Beneficial Owner is engaged in the conduct of a U.S. trade or business and the correct withholding forms to provide.

### ***U.S. Federal Estate and Gift Taxes***

In general, stock or obligations issued by U.S. Persons that are owned by an individual who is not a citizen or domiciliary of the United States are subject to U.S. federal estate tax. However, debt obligations such as the Original Class M Notes are not subject to the U.S. federal estate tax if interest paid on such debt obligations to a non-U.S. individual at the time of his or her death would have been exempt from U.S. federal income and withholding taxes as described above under “— *Original Class M Notes and MAC Notes — Interest*” and “— *Exemption for Portfolio Interest*” (without regard to the requirement that a non-U.S. beneficial ownership statement be received).

The U.S. federal estate tax consequences with respect to Class B Notes owned by an individual who is not a citizen or domiciliary of the United States are not entirely clear. Non-U.S. Beneficial Owners of Class B Notes should consult with their tax advisors regarding the U.S. federal estate tax consequences of holding Class B Notes.

A Non-U.S. Beneficial Owner of a Note generally will not be subject to U.S. federal gift tax on a transfer of the Note.

### **Information Reporting and Backup Withholding**

Payments of interest (including OID) on an Original Class M Note or a MAC Note and certain payments with respect to a Class B Note to a U.S. Beneficial Owner (other than certain corporations or other exempt recipients) are required to be reported to the IRS and the U.S. Beneficial Owner. Payments of interest (including

OID) on an Original Class M Note or a MAC Note and certain payments with respect to a Class B Note generally will be reported to U.S. tax authorities and the Non-U.S. Beneficial Owner. Form W-8BEN, Form W-8BEN-E, Form W-8ECI or other documentation or information about the Non-U.S. Beneficial Owner may be provided to U.S. tax authorities.

Backup withholding of U.S. federal income tax at the applicable rate may apply to a payment made in respect of a Note, as well as a payment of proceeds from the sale of a Note, to a Beneficial Owner (other than certain corporations or other exempt recipients), unless the Beneficial Owner provides certain information. Any amount withheld under these rules will be creditable against the Beneficial Owner's U.S. federal income tax liability, and if withholding results in an overpayment of taxes, the Beneficial Owner may apply for a refund from the IRS. If a Beneficial Owner (other than certain corporations or other exempt recipients) sells a Note before the Maturity Date to (or through) certain brokers, the broker must report the sale to the IRS and the Beneficial Owner unless, in the case of a Non-U.S. Beneficial Owner, the Non-U.S. Beneficial Owner certifies that it is not a U.S. Person (and certain other conditions are met). The broker may be required to withhold U.S. federal income tax at the applicable rate on the entire sale price unless the Beneficial Owner provides certain information and, in the case of a Non-U.S. Beneficial Owner, the Non-U.S. Beneficial Owner certifies that it is not a U.S. Person (and certain other conditions are met).

### **FATCA Withholding**

Final regulations have been promulgated to implement the FATCA Regulations. The FATCA provisions impose a 30 percent withholding tax on foreign financial institutions and certain non-financial foreign entities that have not entered into an agreement with the U.S. Treasury Department to provide information regarding U.S. individuals who have accounts with, or equity interests in, such institutions or entities. If the required information is not provided, Beneficial Owners holding obligations through such institutions or entities may be subject to withholding under FATCA. Currently, the FATCA Regulations generally apply to certain withholdable payments made to non-U.S. entities. The FATCA Regulations, as modified pursuant to IRS Notice 2015-66, will also apply to certain gross proceeds on sales and dispositions occurring after December 31, 2018, and certain pass-thru payments made after December 31, 2018. Beneficial Owners should consult their tax advisors regarding the potential application and impact of the FATCA withholding rules based on their particular circumstances, including the applicability of any intergovernmental agreement modifying these rules.

In the event that a withholding tax under FATCA is imposed on any payment on, or gross proceeds from the disposition or redemption of, a Note, Freddie Mac has no obligation to pay additional interest or other amounts as a consequence thereof or to redeem any Note before its stated maturity.

**THE U.S. FEDERAL TAX DISCUSSION SET FORTH ABOVE IS INCLUDED FOR GENERAL INFORMATION ONLY AND MAY NOT BE APPLICABLE DEPENDING UPON A BENEFICIAL OWNER'S PARTICULAR SITUATION. BENEFICIAL OWNERS SHOULD CONSULT THEIR OWN TAX ADVISORS REGARDING THE TAX CONSEQUENCES TO THEM OF THE OWNERSHIP AND DISPOSITION OF THE NOTES, INCLUDING THE TAX CONSEQUENCES UNDER THE TAX LAWS OF THE UNITED STATES, STATES, LOCALITIES, COUNTRIES OTHER THAN THE UNITED STATES AND ANY OTHER TAXING JURISDICTIONS AND THE POSSIBLE EFFECTS OF CHANGES IN SUCH TAX LAWS.**

### **STATE, LOCAL AND FOREIGN TAX CONSEQUENCES**

In addition to the U.S. federal income tax consequences described above, prospective investors in the Notes should consider the potential United States state and local tax consequences of the acquisition, ownership and disposition of the Notes and the tax consequences of the law of any non-United States jurisdiction in which they reside or do business. State, local and foreign tax law may differ substantially from the corresponding U.S. federal tax law, and the discussion above does not purport to describe any aspect of the tax law of any state or other jurisdiction. Prospective investors should consult their own tax advisors with respect to such matters.

## LEGAL INVESTMENT

If prospective investors' investment activities are subject to investment laws and regulations, regulatory capital requirements or review by regulatory authorities, prospective investors may be subject to restrictions on investment in the Notes. Prospective investors should consult legal, tax and accounting advisers for assistance in determining the suitability of and consequences of the purchase, ownership and sale of the Notes.

- The Notes do not represent an interest in and will not be secured by the Reference Pool or any Reference Obligation.
- The Notes will not constitute "mortgage related securities" for purposes of the SMMEA.
- The Notes may be regarded by governmental authorities or others, or under applicable law, as high-risk, derivative, risk-linked or otherwise complex securities.

The Notes should not be purchased by prospective investors who are prohibited from acquiring securities having the foregoing characteristics. In addition, the Notes should not be purchased by prospective investors located in jurisdictions where their purchase of Notes could subject them to the risk of regulation as an insurance or reinsurance company or as otherwise being engaged in an insurance business.

None of the Sponsor, the Initial Purchasers, the Indenture Trustee, the Owner Trustee, the Exchange Administrator or any of their respective affiliates have made or will make any representation as to (i) the proper characterization of the Notes for legal investment or other purposes, (ii) the ability of particular prospective investors to purchase Notes for legal investment or other purposes or (iii) the ability of particular prospective investors to purchase Notes under applicable investment restrictions. Without limiting the generality of the foregoing, none of the Sponsor, the Initial Purchasers, the Indenture Trustee, the Owner Trustee, the Exchange Administrator or any of their respective affiliates have made or will make any representation as to the characterization of the Notes as a United States or non-United States investment under any state insurance code or related regulations. None of the Sponsor, the Initial Purchasers, the Indenture Trustee, the Owner Trustee, the Exchange Administrator or any of their respective affiliates are aware of any published precedent that addresses such characterization. There can be no assurance as to the nature of any advice or other action that may result from such consideration or the effect, if any, such advice or other action resulting from such consideration may have on the Notes.

## EU RISK RETENTION REQUIREMENTS

On the Closing Date, we will enter into the EU Risk Retention Letter pursuant to which we will irrevocably undertake for the benefit of each Applicable Investor, in connection with Article 405(1), on an ongoing basis, so long as any Notes remain outstanding, that:

- (a) we will, as originator (as such term is defined for the purpose of Article 405(1)), retain a material net economic interest in the transaction constituted by the issuance of the Notes 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 tranching;
- (b) neither we nor our affiliates will sell, hedge or otherwise mitigate our 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) we 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 our possession or that of our affiliates and to the extent the same is not subject to a duty of confidentiality, any time prior to maturity of the Notes;
- (d) we will confirm our 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) we will promptly notify the Indenture Trustee in writing if for any reason: (i) we cease to hold the Retained Interest in accordance with paragraph (a) above, or (ii) we or any of our affiliates fails to comply with the covenants set out in paragraphs (b) and (c) above in any way.

Each prospective investor in the Notes is required to independently assess and determine the sufficiency for the purposes of complying with the EU Risk Retention and Due Diligence Requirements of the information described above and in this Memorandum generally. None of the Transaction Parties, their respective affiliates or any other person makes any representation or provides any assurance to the effect that the information described above or in this Memorandum is sufficient in all circumstances for such purposes or that our compliance with the agreements and undertakings contained in the EU Risk Retention Letter and described above satisfies the EU Risk Retention and Due Diligence Requirements or any other applicable legal, regulatory or other requirements. The Indenture Trustee will not have any obligation to monitor or enforce Freddie Mac's compliance with the EU Risk Retention Letter. Prospective investors in the Notes should note that our undertakings under the EU Risk Retention Letter are made as of the date thereof and that the Retained Interest required to be retained by us thereunder will not change in quantum or nature as a consequence of any changes in the EU Risk Retention and Due Diligence Requirements. Each prospective investor in the Notes that is subject to the EU Risk Retention and Due Diligence Requirements should consult with its own legal, accounting and other advisors and/or its national regulator in determining the extent to which such information is sufficient for such purpose.

See *"Risk Factors — Governance and Regulation — Legislative or Regulatory Actions Could Adversely Affect Our Business Activities and the Reference Pool"*.

## CERTAIN ERISA CONSIDERATIONS

The following is a summary of material considerations arising under ERISA and the prohibited transaction provisions of Section 4975 of the Code that may be relevant to a prospective investor in the Notes that is an ERISA Plan or a person or entity acting on behalf of, using the assets of or deemed to use the assets of an ERISA Plan. The discussion does not purport to deal with all aspects of ERISA or Section 4975 of the Code or foreign or other federal, state or local law that may be relevant to particular ERISA Plans in light of their particular circumstances.

The discussion is based on current provisions of ERISA and the Code, existing regulations under ERISA and the Code, the legislative history of ERISA and the Code, existing administrative rulings of the U.S. Department of Labor and reported judicial decisions. No assurance can be given that legislative, judicial, or administrative changes will not affect the accuracy of any statements herein with respect to transactions entered into or contemplated prior to the effective date of such changes.

### General

ERISA and Section 4975 of the Code impose certain requirements and duties on ERISA Plans and on persons who are fiduciaries of ERISA Plans and of entities whose underlying assets include assets of ERISA Plans by reason of an ERISA Plan's investment in such entities. These duties include investment prudence and diversification and the requirement that investments by an ERISA Plan be made in accordance with the documents governing the ERISA Plan. The prudence of a particular investment must be determined by the responsible fiduciary of the ERISA Plan by taking into account the ERISA Plan's particular circumstances and liquidity needs and all of the facts and circumstances of the investment, including the availability of a public

market for the investment. In addition, certain United States federal, state and local laws impose similar duties on fiduciaries of Plans, such as governmental or church plans, that are not subject to Title I of ERISA or Section 4975 of the Code.

Any Plan Fiduciary that proposes to cause a Plan or entity to purchase the Notes should determine whether, under the general fiduciary standards of ERISA or other applicable law, an investment in the Notes is appropriate for such Plan or entity. In determining whether a particular investment is appropriate for a Plan, U.S. Department of Labor regulations provide that the fiduciaries of an ERISA Plan must give appropriate consideration to, among other things, the role that the investment plays in the ERISA Plan's portfolio, taking into consideration whether the investment is designed reasonably to further the ERISA Plan's purposes, an examination of the risk and return factors, the portfolio's composition with regard to diversification, the liquidity and current return of the total portfolio relative to the anticipated cash flow needs of the ERISA Plan and the projected return of the total portfolio relative to the ERISA Plan's funding objectives. Before investing the assets of a Plan in the Notes, a fiduciary should determine whether such an investment is consistent with the foregoing regulations (or other applicable law) and its fiduciary responsibilities, including any specific restrictions to which such Plan Fiduciary may be subject.

## **Prohibited Transactions**

### ***General***

Section 406 of ERISA and Section 4975 of the Code prohibit certain transactions involving the assets of an ERISA Plan and certain persons (referred to as "parties in interest" under ERISA or "disqualified persons" under the Code) having certain relationships to such ERISA Plans, unless an exemption is available. A party in interest or disqualified person who engages in a Prohibited Transaction may be subject to excise taxes and other penalties and liabilities under ERISA and the Code. Section 4975 of the Code imposes excise taxes, or, in some cases, a civil penalty may be assessed pursuant to Section 502(i) of ERISA, on parties in interest which engage in non-exempt Prohibited Transactions. If the disqualified person who engages in the transaction is the individual on behalf of whom an IRA is maintained (or his beneficiary), the IRA will lose its tax-exempt status and its assets will be deemed to have been distributed to such individual in a taxable distribution (and no excise tax will be imposed) on account of the Prohibited Transaction. In addition, a Plan Fiduciary who permits an ERISA Plan to engage in a transaction that the Plan Fiduciary knows or should know is a Prohibited Transaction may be liable to the ERISA Plan for any loss the ERISA Plan incurs as a result of the transaction or for any profits earned by the Plan Fiduciary in the transaction.

### ***Plan Asset Regulation***

The Plan Asset Regulation describes what constitutes the assets of an ERISA Plan with respect to the ERISA Plan's investment in an entity for purposes of certain provisions of ERISA and Section 4975 of the Code, including the fiduciary responsibility provisions of Title I of ERISA, and Section 4975 of the Code. The Plan Asset Regulation describes the circumstances under which Plan Fiduciaries and entities with certain specified relationships to an ERISA Plan are required to "look through" the investment vehicle and treat as an asset of the ERISA Plan each underlying investment made by such investment vehicle. If the assets of an entity or an investment vehicle in which a Plan invests are considered to be "plan assets" pursuant to the Plan Asset Regulation, then any person who exercises control over those assets may be subject to ERISA's fiduciary standards. Under the Plan Asset Regulation, if an ERISA Plan invests in an "equity interest" of an entity that is neither a "publicly-offered security" nor a security issued by an investment company registered under the Investment Company Act, the ERISA Plan's assets include both the equity interest and an undivided interest in each of the entity's underlying assets, unless it is established that the entity is an "operating company" or that equity participation in the entity by Benefit Plan Investors is not "significant". Equity participation by Benefit Plan Investors in an entity or investment vehicle is significant if, after the most recent acquisition of any class of securities in the entity or investment vehicle, 25% or more of the value of any class of equity interests in the entity or investment vehicle (excluding the value of interests held by certain persons who exercise discretion and control over the assets of such entity or investment vehicle or receive a fee for advice to such entity or vehicle) is held by Benefit Plan Investors.

Under the Plan Asset Regulation, the term “equity interest” is defined as any interest in an entity other than an instrument that is treated as indebtedness under “applicable local law” and which has no “substantial equity features”. The Original Class M Notes and the MAC Notes should not be considered to be “equity interests” in the Issuer. As a result, the Plan Asset Regulation should not apply to cause the Issuer’s assets to be treated as plan assets because of ERISA Plans’ purchases of Original Class M Notes or MAC Notes. However, the Class B Notes may be considered equity interests in the Issuer for purposes of the Plan Asset Regulation. Therefore, Plans and persons acting on behalf of or using the assets of Plans will be prohibited from acquiring or holding Class B Notes.

### ***Prohibited Transaction Exemptions***

Additionally, Prohibited Transactions within the meaning of Section 406 of ERISA or Section 4975 of the Code may arise if Notes are acquired by an ERISA Plan or a person or entity acting on behalf of, using the assets of or deemed to use the assets of an ERISA Plan with respect to which the Issuer or certain other parties to the transaction or any of their respective affiliates are parties in interest or disqualified persons. Certain exemptions from the Prohibited Transaction provisions of Section 406 of ERISA and Section 4975 of the Code may be applicable, however, depending in part on the type of Plan Fiduciary making the decision to acquire the Original Class M Notes or MAC Notes and the circumstances under which such decision is made. Included among these exemptions are PTCE 96-23 (relating to transactions directed by an in-house professional asset manager); PTCE 95-60 (relating to transactions involving insurance company general accounts); PTCE 91-38 (relating to investments by bank collective investment funds); PTCE 84-14 (relating to transactions effected by a qualified professional asset manager); and PTCE 90-1 (relating to investments by insurance company pooled separate accounts). In addition, Section 408(b)(17) of ERISA and Section 4975(d)(20) of the Code provide a statutory exemption for prohibited transactions between an ERISA Plan and a person that is a party in interest or a disqualified person (other than a fiduciary or an affiliate of a fiduciary that has or exercises discretionary authority or control or renders investment advice with respect to the assets involved in the transaction) solely by reason of providing services to the ERISA Plan, provided that there is adequate consideration. Prospective investors should consult with their advisors regarding the application of any of the foregoing administrative or statutory exemptions. There can be no assurance that any of these class exemptions or any other exemption will be available with respect to any particular transaction involving the Original Class M Notes or MAC Notes.

Certain Plans, including governmental plans, church plans and foreign plans, while not subject to the prohibited transaction provisions of Section 406 of ERISA or Section 4975 of the Code or the fiduciary provisions of ERISA (including the provisions of ERISA pursuant to which assets of an ERISA Plan may be deemed to include assets of the Issuer or pursuant to which the Issuer could be deemed to be a fiduciary with respect to such Plan) may nevertheless be subject to Similar Law. As noted above, Plans subject to Similar Law will not be permitted to acquire or hold the Class B Notes.

Each purchaser or transferee of an Original Class M Note or MAC Note that is a Plan or a person or entity acting on behalf of, using the assets of or deemed to use the assets of any Plan will represent or be deemed to have represented that the purchase, ownership and disposition of such Note or any interest therein will not constitute or result in a non-exempt Prohibited Transaction or in the case of a governmental plan, church plan or foreign plan, a violation of Similar Law, and neither the Issuer nor any of its affiliates is a fiduciary with respect to the acquisition, holding or disposition of such Note or in connection with any of its rights in connection therewith.

### **Review by Plan Fiduciaries**

Any Plan Fiduciary considering whether to purchase Original Class M Notes or MAC Notes on behalf of a Plan should consult with its counsel regarding the applicability of the fiduciary responsibility and prohibited transaction provisions of ERISA and the Code (or in the case of a governmental plan, church plan or foreign plan, applicable Similar Law) to a related investment and the availability of any prohibited transaction exemptions. The sale of Original Class M Notes or MAC Notes to a Plan is in no respect a representation by the Issuer that this investment meets all relevant requirements with respect to investments by Plans generally or any particular Plan or that this investment is appropriate for any such Plans generally or any particular Plan.

In addition, any purchaser, transferee or holder of Original Class M Notes or MAC Notes or any interest therein that is a Benefit Plan Investor, including a Plan Fiduciary purchasing Original Class M Notes or MAC Notes on behalf of a Benefit Plan Investor, should consider the impact of the Fiduciary Rule. In connection with the Fiduciary Rule, each Benefit Plan Investor will be deemed to have represented by its acquisition of such Notes that:

- (1) none of the Transaction Parties, has provided or will provide advice with respect to the acquisition of such Notes by the Benefit Plan Investor, other than to the Plan Fiduciary which is independent (within the meaning of the Fiduciary Rule) of the Transaction Parties;
- (2) the Plan Fiduciary either:
  - (a) is a bank as defined in Section 202 of the Advisers Act, or similar institution that is regulated and supervised and subject to periodic examination by a state or federal agency; or
  - (b) is an insurance carrier which is qualified under the laws of more than one state to perform the services of managing, acquiring or disposing of assets of a Plan investor; or
  - (c) is an investment adviser registered under the Advisers Act, or, if not registered as an investment adviser under the Advisers Act by reason of paragraph (1) of Section 203A of the Advisers Act, is registered as an investment adviser under the laws of the state in which it maintains its principal office and place of business; or
  - (d) is a broker-dealer registered under the Exchange Act, as amended; or
  - (e) has, and at all times that the Benefit Plan Investor is invested in such Notes will have, total assets of at least U.S. \$50,000,000 under its management or control (provided that this *clause (e)* shall not be satisfied if the Plan Fiduciary is either (i) the owner or a relative of the owner of an investing individual retirement account or (ii) a participant or beneficiary of the Benefit Plan Investor investing in or holding such Notes in such capacity);
- (3) the Plan Fiduciary is capable of evaluating investment risks independently, both in general and with respect to particular transactions and investment strategies, including the acquisition by the Benefit Plan Investor of such Notes;
- (4) the Plan Fiduciary is a “fiduciary” with respect to the Benefit Plan Investor within the meaning of Section 3(21) of ERISA, Section 4975 of the Code, or both, and is responsible for exercising independent judgment in evaluating the Benefit Plan Investor’s acquisition of such Notes;
- (5) none of the Transaction Parties has exercised any authority to cause the Benefit Plan Investor to invest in such Notes or to negotiate the terms of the Benefit Plan Investor’s investment in such Notes; and
- (6) the Plan Fiduciary has been informed by each of the Transaction Parties:
  - (a) that such Transaction Party is not undertaking to provide impartial investment advice or to give advice in a fiduciary capacity in connection with the Benefit Plan Investor’s acquisition of such Notes; and
  - (b) of the existence and nature of such Transaction Party’s financial interests in the Plan investor’s acquisition of such Notes as disclosed in this Memorandum.

These representations are intended to comply with 29 C.F.R. Sections 2510.3-21(a) and (c)(1) as promulgated on April 28, 2016 (81 Fed. Reg. 20,997). If these sections of the Fiduciary Rule are revoked, repealed or no longer effective, these representations shall be deemed to be no longer in effect.

None of the Transaction Parties is undertaking to provide impartial investment advice, or to give advice in a fiduciary capacity, in connection with the acquisition of any structured pass-through certificates by any Benefit Plan Investor.

**BY ITS INVESTMENT IN A NOTE, THE INVESTOR THEREOF WILL REPRESENT OR WILL BE DEEMED TO REPRESENT AND WARRANT EITHER THAT (A) IT IS NOT AND IS NOT**

**ACTING ON BEHALF OF AN “EMPLOYEE BENEFIT PLAN” AS DEFINED IN SECTION 3(3) OF ERISA, A PLAN DESCRIBED IN SECTION 4975(e)(1) OF THE CODE, AN ENTITY WHICH IS DEEMED TO HOLD THE ASSETS OF ANY SUCH PLAN PURSUANT TO 29 C.F.R. SECTION 2510.3-101, AS MODIFIED BY SECTION 3(42) OF ERISA, WHICH EMPLOYEE BENEFIT PLAN, PLAN OR ENTITY IS SUBJECT TO TITLE I OF ERISA OR SECTION 4975 OF THE CODE, OR A GOVERNMENTAL PLAN, CHURCH PLAN OR FOREIGN PLAN WHICH IS SUBJECT TO SIMILAR LAW OR (B) IN THE CASE OF AN ORIGINAL CLASS M NOTE OR MAC NOTE, ITS PURCHASE, OWNERSHIP OR DISPOSITION OF SUCH NOTE WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL PLAN, CHURCH PLAN OR FOREIGN PLAN, ANY VIOLATION OF SIMILAR LAW).**

## **PLACEMENT**

Subject to the terms and conditions set forth in the Note Purchase Agreement, the Initial Purchasers will agree to offer the Notes on a “commercially reasonable best efforts” basis and purchase the Notes they place with investors from the Trust on the Closing Date as principal for resale to investors. The Initial Purchasers will be acting as the Sponsor’s agents in the placing of the Notes with no understanding, express or implied, on the Initial Purchasers’ part of a commitment to purchase or place the Notes. Sales of the Notes may be effected from time to time in one or more negotiated transactions or otherwise at varying prices to be determined at the time of sale. In addition, at the option of the Sponsor, sales of the Notes may also be effected pursuant to an auction process, the procedures and parameters of which may not be communicated to potential investors in advance of pricing. Upon the completion of any such auction, the Notes will be allocated to investors in accordance with, and based on, prices bid, terms of the bid and any other factors communicated to the bidders participating in any such auction. Freddie Mac has agreed in the Note Purchase Agreement to indemnify the Initial Purchasers against certain liabilities.

The Notes may be offered and sold outside of the United States, within the United States or simultaneously outside of and within the United States, only where it is legal to make such offers and sales. The Initial Purchasers have represented and agreed that, subject to compliance by the other transaction parties, they have complied and will comply with all applicable laws and regulations in each jurisdiction in which or from which they may purchase, offer, sell or deliver any Notes or distribute this Memorandum or any other offering material. The Initial Purchasers also have agreed to comply with the selling restrictions relating to the jurisdictions set forth in Appendix D to this Memorandum.

The Notes are being offered only in transactions exempt from the registration requirements of the Securities Act as set forth below under “*Notice to Investors*.”

The Notes have not been registered under the Securities Act or registered or qualified under any applicable state securities laws, and none of the Issuer, us, the Indenture Trustee, the Owner Trustee or any other person is required to so register or qualify the Notes or to provide registration rights to any investor therein. There currently is no secondary market for the Notes, and there can be no assurance that such a market will develop or, if it does develop, that it will continue or will provide investors with a sufficient level of liquidity of investment. While the Initial Purchasers intend to make a market in the Notes, they may discontinue or limit such activities at any time. In addition, the liquidity of the Notes may be affected by present uncertainties and future unfavorable developments concerning legal investment. Consequently, investors should be aware that they may be required to bear the financial risks of an investment in the Notes for an indefinite period of time.

## **NOTICE TO INVESTORS**

The Notes have not been registered under the Securities Act and may not be offered or sold except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the Securities Act. Accordingly, the Notes are being offered hereby only to QIBs.



Each purchaser of the Notes, as applicable, will be deemed to represent to and agree with the Issuer, the Sponsor, the Initial Purchasers, the Indenture Trustee and the Exchange Administrator as follows:

1. It is a QIB that is aware that the sale of the Notes to it will be made in reliance on Rule 144A of the Securities Act and is acquiring the Notes for its own account or for the account of another QIB, and as to each of which the purchaser exercises sole investment discretion, and in a principal amount of not less than the minimum denomination of such Note for the purchaser and for each such account. The Notes may not at any time be held by or on behalf of any person that is not a QIB. Any purported transfer of the Notes to a purchaser that does not comply with the requirements of this paragraph shall be null and void ab initio. The Issuer may sell any Notes acquired in violation of the foregoing at the cost and risk of the purported purchaser.

2. It acknowledges that none of the Sponsor, the Issuer, the Initial Purchasers or any person representing the Sponsor, the Issuer or the Initial Purchasers has made any representation to it with respect to the Sponsor or the offering or sale of the Notes, other than the information contained in this Memorandum, which Memorandum has been delivered to it and upon which it is relying in making its investment decision with respect to the Notes. It acknowledges that it has received this Memorandum and all additional information considered by it to be necessary to verify the accuracy of or to supplement the information herein and that it has been afforded an opportunity to review the Memorandum and all such additional information. It understands and agrees that any information provided to it prior to the delivery of the Memorandum is superseded by the information herein. It has had access to such financial and other information concerning the Issuer, the Sponsor, the Indenture Trustee and the Notes as it has deemed necessary or appropriate in connection with its decisions to purchase the Notes, including an opportunity to ask questions of and receive information from the Seller regarding any such matters. Further, it understands that the information contained in this Memorandum and all such additional information, as well as all information to be received by it as a Noteholder, is confidential and agrees to keep such information confidential and in accordance with all applicable federal and state securities laws and regulations (a) by not disclosing any such information other than to a person who needs to know such information and who has agreed to keep such information confidential and (b) by not using any such information other than for the purpose of evaluating an investment in the Notes; provided, however, that any such information may be disclosed as required by applicable law if the Seller is given written notice of such requirement sufficient to enable the Sponsor to seek a protective order or other appropriate remedy in advance of disclosure.

3. It acknowledges that the Issuer, the Sponsor, the Issuer, the Initial Purchasers, the Custodian, the Investment Manager, the Administrator, the Owner Trustee, the Indenture Trustee and others will rely upon the truth and accuracy of the foregoing acknowledgments, representations and agreements and agrees that, if any of the acknowledgements, representations or agreements deemed to have been made by it by its purchase of the Notes were not accurate when made, it will promptly so notify the party from which it purchased the Notes, the Issuer, the Indenture Trustee and the Sponsor. If it is acquiring any Notes as a fiduciary or agent for one or more investor accounts, it represents that it has sole investment discretion with respect to each such account and that it has full power to make the foregoing acknowledgements, representations and agreements on behalf of each such account. It understands that the Indenture Trustee may receive a list of participants holding positions in the Notes from one or more book-entry depositories.

4. It understands and acknowledges that the Notes have not been registered under the Securities Act or any other applicable securities laws and that (A) the Notes may be offered, sold pledged or otherwise transferred only to a person that is a QIB in a transaction meeting the requirements of Rule 144A under the Securities Act, subject to the applicable state securities laws of any State of the United States or any other applicable jurisdiction and (B) the purchaser will, and each subsequent holder is required to, notify any subsequent purchaser from it of the resale restrictions set forth in (A) above. It understands that each holder of a Note, by virtue of its acceptance thereof, assents to, and agrees to be bound by, the terms, provisions and conditions of the Indenture including those relating to the above-described transfer restrictions. It will not transfer any Note except in accordance with applicable law, the above-described transfer restrictions and such other terms, provisions and conditions of the Indenture as may be applicable thereto.

5. It understands that an investment in the Notes involves certain risks, including the risk of loss of all or a substantial part of its investment under certain circumstances. The purchaser has such knowledge and experience in financial and business matters as to be capable of evaluating the merits and risks of its investment in the Notes,

and the purchaser and any accounts for which it is acting are each able to bear the economic risk of the holder's or of its investment.

6. In connection with the purchase of the Notes (a) none of the Issuer, the Initial Purchasers, the Indenture Trustee nor the Sponsor is acting as a fiduciary or financial or investment advisor for the purchaser; (b) the purchaser is not relying (for purposes of making any investment decision or otherwise) upon any advice, counsel or representations (whether written or oral) of any of the parties listed in (a) above other than in the most current private placement memorandum for such Notes and any representations set forth in a written agreement with such party; (c) none of the parties listed in (a) above has given to the purchaser (directly or indirectly through any other person) any assurance, guarantee, or representation whatsoever as to the expected or projected success, profitability, return, performance, result, effect, consequence, or benefit (including legal, regulatory, tax, financial, accounting, or otherwise) of its purchase or the documentation for such Notes; (d) the purchaser has consulted with its own legal, regulatory, tax, business, investment, financial, and accounting advisers to the extent it has deemed necessary and that the investment by it is within its powers and authority, is permissible under applicable laws governing such purchase, has been duly authorized by it and complies with applicable securities laws and other laws and regulations, and it has made its own investment decisions (including decisions regarding the suitability of any transactions pursuant to the Indenture) based upon its own judgment and upon any advice from such advisors as it has deemed necessary and not upon any view expressed by the Issuer, the Initial Purchasers, the Indenture Trustee or the Sponsor; (e) the purchaser has determined that the rates, prices or amounts and other terms of the purchase and sale of such Notes reflect those in the relevant market for similar transactions; (f) the purchaser is purchasing such Notes with a full understanding of all the terms, conditions and risks thereof (economic and otherwise), and is capable of assuming and willing to assume (financially and otherwise) these risks; and (g) the purchaser is a sophisticated investor familiar with transactions similar to its investment in such Notes.

7. It will not, at any time, offer to buy or offer to sell the Notes by any form of general solicitation or advertising, including, but not limited to, any advertisement, article, notice or other communication published in any newspaper, magazine or similar medium or broadcast over television or radio or at a seminar or meeting whose attendees have been invited by general solicitations or advertising.

8. It is not purchasing the Notes with a view to resale, distribution or other disposition thereof in violation of the Securities Act.

9. It acknowledges that the Notes do not represent deposits with or other liabilities of the Initial Purchasers, the Indenture Trustee, the Sponsor or any entity related to any of them or any other purchaser of Notes. Unless otherwise expressly provided herein, each of the Issuer, the Initial Purchasers, the Indenture Trustee, the Sponsor, any entity related to any of them and any other purchaser of Notes will not, in any way, be responsible for or stand behind the capital value or the performance of the Notes or the assets held by the Issuer. The purchaser acknowledges that purchase of Notes involves investment risks including prepayment and interest rate risks, possible delay in repayment and loss of income and principal invested. The purchaser has considered carefully, in the light of its own financial circumstances and investment objectives, all the information set forth herein and, in particular, the risk factors described in this Memorandum.

10. It acknowledges that each Note will contain a legend substantially to the following effect and agrees to the provisions set forth in such legend:

UNLESS THIS NOTE IS PRESENTED BY AN AUTHORIZED REPRESENTATIVE OF THE DEPOSITORY TRUST COMPANY, A NEW YORK CORPORATION ("DTC"), TO THE ISSUER OR ITS AGENT FOR REGISTRATION OF TRANSFER, EXCHANGE OR PAYMENT, AND ANY NOTE ISSUED IS REGISTERED IN THE NAME OF CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC (AND ANY DISTRIBUTION IS MADE TO CEDE & CO. OR TO SUCH OTHER ENTITY AS IS REQUESTED BY AN AUTHORIZED REPRESENTATIVE OF DTC), ANY TRANSFER, PLEDGE OR OTHER USE HEREOF FOR VALUE OR OTHERWISE BY OR TO ANY PERSON IS WRONGFUL INASMUCH AS THE REGISTERED OWNER HEREOF, CEDE & CO., HAS AN INTEREST HEREIN.

THIS NOTE HAS NOT BEEN AND WILL NOT BE REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND MAY NOT BE

RESOLD OR TRANSFERRED UNLESS IT IS REGISTERED PURSUANT TO SUCH ACT AND LAWS OR IS SOLD OR TRANSFERRED IN TRANSACTIONS WHICH ARE EXEMPT FROM REGISTRATION UNDER SUCH ACT AND UNDER APPLICABLE STATE LAW AND IS TRANSFERRED IN ACCORDANCE WITH THE PROVISIONS OF THE INDENTURE.

THE HOLDER OF THIS NOTE BY ITS ACCEPTANCE HEREOF AGREES (A) TO OFFER, SELL, PLEDGE OR OTHERWISE TRANSFER THIS NOTE ONLY TO A PERSON THAT IS A “QUALIFIED INSTITUTIONAL BUYER” AS DEFINED IN RULE 144A OF THE SECURITIES ACT THAT PURCHASES THE NOTE FOR ITS OWN ACCOUNT OR FOR THE ACCOUNT OF A QUALIFIED INSTITUTIONAL BUYER, IN A PRINCIPAL AMOUNT OF NOT LESS THAN \$10,000 AND IN GREATER WHOLE NUMBER DENOMINATIONS OF \$1 IN EXCESS THEREOF, TO WHOM NOTICE IS GIVEN THAT THE TRANSFER IS BEING MADE IN RELIANCE ON RULE 144A OF THE SECURITIES ACT, FOR INVESTMENT PURPOSES AND NOT WITH A VIEW TO, OR FOR OFFER OR SALE IN CONNECTION WITH, ANY DISTRIBUTION IN VIOLATION OF THE SECURITIES ACT IN A TRANSACTION EXEMPT FROM REGISTRATION UNDER THE SECURITIES ACT, (B) IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES AND ANY OTHER APPLICABLE JURISDICTIONS AND (C) THAT IT WILL, AND EACH SUBSEQUENT HOLDER IS REQUIRED TO, NOTIFY ANY PURCHASER FROM IT OF THIS NOTE OF THE RESALE RESTRICTIONS SET FORTH IN (A) AND (B) ABOVE.

EACH PURCHASER OF THIS NOTE WILL BE DEEMED TO HAVE MADE THE FOLLOWING REPRESENTATIONS: THE PURCHASER IS A QUALIFIED INSTITUTIONAL BUYER, AND THE PURCHASER UNDERSTANDS THAT THE NOTES HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OR REGISTERED OR QUALIFIED UNDER ANY APPLICABLE STATE AND FOREIGN SECURITIES LAWS, THE NOTES ARE “RESTRICTED SECURITIES” WITHIN THE MEANING OF RULE 144 UNDER THE SECURITIES ACT, ANY OFFER, RESALE, PLEDGE OR OTHER TRANSFER OF THE NOTES WILL BE SUBJECT TO VARIOUS TRANSFER RESTRICTIONS, AND MAY NOT BE REOFFERED, RESOLD, PLEDGED OR OTHERWISE TRANSFERRED IN ANY PARTICULAR JURISDICTION EXCEPT IN ACCORDANCE WITH ALL APPLICABLE SECURITIES LAWS OF THAT JURISDICTION. ANY SALE OR TRANSFER IN VIOLATION OF THE FOREGOING WILL BE OF NO FORCE AND EFFECT, WILL BE VOID *AB INITIO*, AND WILL NOT OPERATE TO TRANSFER ANY RIGHTS TO THE TRANSFEREE, NOTWITHSTANDING ANY INSTRUCTIONS TO THE CONTRARY TO THE INDENTURE TRUSTEE OR ANY INTERMEDIARY, IF AT ANY TIME THE INDENTURE TRUSTEE OBTAINS ACTUAL KNOWLEDGE OR IS NOTIFIED THAT THE HOLDER OF SUCH BENEFICIAL INTEREST IN SUCH NOTE WAS IN BREACH, AT THE TIME GIVEN, OF ANY OF THE ABOVE REPRESENTATIONS, THE INDENTURE TRUSTEE MAY CONSIDER THE ACQUISITION OF THIS NOTE OR SUCH INTEREST IN THIS NOTE VOID AND REQUIRE THAT THIS NOTE OR SUCH INTEREST HEREIN BE TRANSFERRED TO A PERSON DESIGNATED BY THE ISSUER.

11. In addition, each Book Entry Note representing an Original Class M Note or MAC Note will bear a legend substantially to the following effect:

**FURTHER, THIS NOTE MAY NOT BE SOLD OR TRANSFERRED TO ANY PLAN SUBJECT TO THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“ERISA”) OR SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE “CODE”), OR TO ANY PERSON OR ENTITY ACTING ON BEHALF OF, OR USING OR DEEMED TO BE USING “PLAN ASSETS” OF ANY SUCH PLAN, INCLUDING AN INSURANCE COMPANY GENERAL ACCOUNT, OR TO A GOVERNMENTAL OR CHURCH PLAN OR FOREIGN PLAN WHICH IS SUBJECT TO ANY FOREIGN, UNITED STATES FEDERAL, STATE OR LOCAL LAW THAT IS SIMILAR TO ERISA OR SECTION 4975 OF THE CODE (“SIMILAR LAW”), UNLESS THE PURCHASER OR TRANSFEREE IS ELIGIBLE FOR CERTAIN EXEMPTIVE RELIEF. ACCORDINGLY, EACH TRANSFEREE OF AN INTEREST HEREIN HEREBY IS DEEMED TO REPRESENT AND WARRANT BY ACQUISITION OF SUCH NOTE THAT EITHER (A) IT IS NOT AND IS NOT ACTING ON BEHALF OF AN “EMPLOYEE BENEFIT PLAN” AS DEFINED IN SECTION 3(3) OF ERISA, A**

**PLAN DESCRIBED IN SECTION 4975(e)(1) OF THE CODE, AN ENTITY WHICH IS DEEMED TO HOLD THE ASSETS OF ANY SUCH PLAN PURSUANT TO 29 C.F.R. SECTION 2510.3-101, AS MODIFIED BY SECTION 3(42) OF ERISA, WHICH PLAN OR ENTITY IS SUBJECT TO TITLE I OF ERISA OR SECTION 4975 OF THE CODE, OR A GOVERNMENTAL OR CHURCH PLAN OR FOREIGN PLAN WHICH IS SUBJECT TO ANY SIMILAR LAW, OR (B) ITS PURCHASE, OWNERSHIP AND DISPOSITION OF SUCH NOTE WILL NOT CONSTITUTE OR RESULT IN A NON-EXEMPT PROHIBITED TRANSACTION UNDER SECTION 406 OF ERISA OR SECTION 4975 OF THE CODE (OR, IN THE CASE OF A GOVERNMENTAL OR CHURCH PLAN OR FOREIGN PLAN, ANY VIOLATION OF SIMILAR LAW).**

Each Book Entry Note representing a Class B Note will bear a legend substantially to the following effect:

**FURTHER, THIS NOTE MAY NOT BE SOLD OR TRANSFERRED TO ANY PLAN SUBJECT TO THE UNITED STATES EMPLOYEE RETIREMENT INCOME SECURITY ACT OF 1974, AS AMENDED (“ERISA”) OR SECTION 4975 OF THE UNITED STATES INTERNAL REVENUE CODE OF 1986, AS AMENDED (THE “CODE”), OR TO ANY PERSON OR ENTITY ACTING ON BEHALF OF OR USING OR DEEMED TO BE USING “PLAN ASSETS” OF ANY SUCH PLAN, INCLUDING AN INSURANCE COMPANY GENERAL ACCOUNT, OR TO A GOVERNMENTAL OR CHURCH PLAN OR FOREIGN PLAN WHICH IS SUBJECT TO ANY FOREIGN, UNITED STATES FEDERAL, STATE OR LOCAL LAW THAT IS SIMILAR TO ERISA OR SECTION 4975 OF THE CODE (“SIMILAR LAW”). ACCORDINGLY, EACH TRANSFEREE OF AN INTEREST HEREIN HEREBY IS DEEMED TO REPRESENT AND WARRANT BY ACQUISITION OF SUCH NOTE THAT IT IS NOT AND IS NOT ACTING ON BEHALF OF AN “EMPLOYEE BENEFIT PLAN” AS DEFINED IN SECTION 3(3) OF ERISA, A PLAN DESCRIBED IN SECTION 4975(e)(1) OF THE CODE, AN ENTITY WHICH IS DEEMED TO HOLD THE ASSETS OF ANY SUCH PLAN PURSUANT TO 29 C.F.R. SECTION 2510.3-101, AS MODIFIED BY SECTION 3(42) OF ERISA, WHICH PLAN OR ENTITY IS SUBJECT TO TITLE I OF ERISA OR SECTION 4975 OF THE CODE OR A GOVERNMENTAL OR CHURCH PLAN OR FOREIGN PLAN WHICH IS SUBJECT TO ANY SIMILAR LAW.**

#### **Notice to Canadian Investors**

The Notes may be sold only to purchasers purchasing, or deemed to be purchasing, as principal that are accredited investors, as defined in National Instrument 45-106 Prospectus Exemptions or subsection 73.3(1) of the Securities Act (Ontario), and are permitted clients, as defined in National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations. Any resale of the Notes must be made in accordance with an exemption from, or in a transaction not subject to, the prospectus requirements of applicable securities laws.

Securities legislation in certain provinces or territories of Canada may provide a purchaser with remedies for rescission or damages if this Memorandum (including any amendment thereto) contains a misrepresentation, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser’s province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser’s province or territory for particulars of these rights or consult with a legal advisor.

Pursuant to section 3A.3 (or, in the case of securities issued or guaranteed by the government of a non-Canadian jurisdiction, section 3A.4) of National Instrument 33-105 Underwriting Conflicts (NI 33-105), the Initial Purchasers are not required to comply with the disclosure requirements of NI 33-105 regarding underwriter conflicts of interest in connection with this offering.

#### **RATINGS**

It is a condition to the issuance of the Notes that the Rated Notes receive from the Rating Agencies the ratings identified for such Classes of Notes on Table 1. The Class B Notes will not be rated by either Rating Agency. The ratings assigned to the Rated Notes will be subject to ongoing monitoring, upgrades, downgrades, withdrawals and surveillance by each Rating Agency after the date of issuance of such Notes.

The ratings address the likelihood of the timely receipt of payments of interest to which the Holders of the Rated Notes are entitled and, with respect to the Classes of Rated Notes entitled to principal payments, the ultimate payment of principal by the Maturity Date. The ratings of the Rated Notes should be evaluated independently from similar ratings on other types of securities. The ratings are not a recommendation to buy, sell or hold the Rated Notes and may be subject to revision or withdrawal at any time by the Rating Agencies.

In addition, the ratings do not address: (i) the likelihood, timing, or frequency of prepayments (both voluntary and involuntary) on the Reference Obligations and their impact on interest payments or the degree to which such prepayments might differ from those originally anticipated, (ii) the possibility that a Noteholder might suffer a lower than anticipated yield, (iii) the tax treatment of the Rated Notes or the effect of taxes on the payments received, (iv) the likelihood or willingness of the parties to the respective documents to meet their contractual obligations or the likelihood or willingness of any party or court to enforce, or hold enforceable, the documents in whole or in part, (v) an assessment of the yield to maturity that investors may experience, or (vi) other non-credit risks, including, without limitation, market risks or liquidity.

The ratings take into consideration certain credit risks with respect to the Reference Obligations. However, as noted above, the ratings do not represent an assessment of the likelihood, timing or frequency of principal prepayments (both voluntary and involuntary) on the Reference Obligations, or the degree to which such prepayments might differ from those originally anticipated. In general, the ratings address credit risk and not prepayment risk. In addition, the ratings do not represent an assessment of the yield to maturity that investors may experience or the possibility that the Holders of the Interest Only MAC Notes might not fully recover their initial investment in the event of Credit Events or rapid prepayments on the Reference Obligations (including both voluntary and involuntary prepayments).

As indicated in this Memorandum, the Interest Only MAC Notes are only entitled to payments of interest. In the event that Holders of the Interest Only MAC Notes do not fully recover their investment as a result of (i) a high rate of Credit Events and Modification Events that result in losses being realized with respect thereto, or (ii) rapid principal prepayments on the Reference Obligations, all amounts “due” to such Holders will nevertheless have been paid, and such result is consistent with the ratings received on the Interest Only MAC Notes. For example, if the Reference Obligations were to prepay in the initial month following the Closing Date, Holders of the Interest Only MAC Notes would receive only a single month’s interest and, therefore, would suffer a nearly complete loss of their investment. The Notional Principal Amounts of the Interest Only MAC Notes on which interest is calculated will be reduced by the allocation under the hypothetical structure described in this Memorandum of Tranche Write-down Amounts and prepayments, whether voluntary or involuntary, to the related Reference Tranches and Exchangeable Notes from which their respective Notional Principal Amounts are derived. The ratings do not address the timing or magnitude of reductions of such Notional Principal Amounts, but only the obligation to pay interest in a timely manner on the Notional Principal Amounts as so reduced from time to time. Therefore, the ratings of the Interest Only MAC Notes should be evaluated independently from similar ratings on other types of securities.

Other NRSROs that we have not engaged to rate the Rated Notes may issue unsolicited credit ratings on one or more Classes of the Notes, relying on information they receive pursuant to Rule 17g-5 or otherwise. If any such unsolicited ratings are issued, we cannot assure you that they will not be different from the ratings assigned by the Rating Agencies, and if lower than the Rating Agencies’ ratings, whether such unsolicited ratings will have an adverse impact on the liquidity, market value and regulatory characteristics of such Notes. Further, a determination by the SEC that either or both of the Rating Agencies no longer qualifies as an NRSRO or is no longer qualified to rate the Rated Notes, could adversely affect the liquidity, market value and regulatory characteristics of the Rated Notes. See “*Risk Factors — Investment Factors and Risks Related to the Notes — A Reduction, Withdrawal or Qualification of the Ratings on the Rated Notes, or the Issuance of an Unsolicited Rating on the Rated Notes, May Adversely Affect the Market Value of Those Notes and/or Limit an Investor’s Ability to Resell Those Notes*” and “*— The Ratings on the Rated Notes May Not Reflect All Risks*”.

## LEGAL MATTERS

Our General Counsel or one of our Deputy General Counsels will render an opinion on the legality of the Notes. Certain tax matters with respect to the Notes will be passed upon for the Issuer by Shearman & Sterling LLP.



## GLOSSARY OF SIGNIFICANT TERMS

Whenever used in this Memorandum, the following words and phrases shall have the following meanings, unless the context otherwise requires.

**“Accounting Net Yield”** means, with respect to each Payment Date and any Reference Obligation, the related mortgage rate less the related servicing fee rate.

**“Accrual Period”** means, with respect to each Payment Date, the period beginning on and including the prior Payment Date (or, in the case of the first Payment Date, the Closing Date) and ending on and including the day preceding such Payment Date.

**“Additional Collateral”** means, all of the Issuer’s right, title and interest in, to and under, whether now owned or existing, or hereafter acquired or arising, (a) the Credit Protection Agreement and all payments to the Issuer thereunder or with respect thereto, (b) all accounts, general intangibles, chattel paper, instruments, documents, goods, money, investment property, deposit accounts, letters of credit, letter-of-credit rights, consisting of, arising from, or relating to, any of the foregoing and (c) all proceeds, accessions, profits, income, benefits, substitutions and replacements, whether voluntary or involuntary, of and to any of the property of the Issuer described in the preceding clauses.

**“Administration Agreement”** means the Administration Agreement dated as of the Closing Date among the Indenture Trustee, the Custodian, the Exchange Administrator, the Investment Manager, the Owner Trustee, the Issuer, the Sponsor and the Administrator.

**“Administrator”** means Freddie Mac in its capacity as Administrator under the Administration Agreement.

**“Advisers Act”** means the Investment Advisers Act of 1940.

**“Affected Investor”** means each prospective investor in the Notes that is subject to EU Risk Retention and Due Diligence Requirements or may in the future become subject to EU Risk Retention and Due Diligence Requirements.

**“Affected Party”** means (i) for purposes of an Illegality, a Tax Event and a Tax Event Upon Merger, the party identified as such in the definition thereof, (ii) for purposes of a CPA Additional Termination Event resulting from the occurrence of an acceleration of the maturity of the Notes in accordance with the Indenture, the Trust and/or us and (iii) for purposes of all other CPA Additional Termination Events, the Trust.

**“AIFMs”** means alternative investment fund managers.

**“ALTA”** means American Land Title Association.

**“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.

**“Article 9”** means Article 9 of the Uniform Commercial Code.

**“Article 405(1)”** means 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.

**“Authenticating Agent”** means the authenticating agent under the Indenture. The initial Authenticating Agent will be U.S. Bank.

**“Available Sample”** means the limited number of Reference Obligations (6,474 by loan count, which is approximately 3.8% of the Reference Pool) selected by us from which the Third-Party Diligence Provider selected the Diligence Sample for review.

**“AVM”** means automated valuation model.

**“Barclays”** means Barclays Capital Inc.

**“Basic Documents”** means the Trust Agreement, the Notes, the Indenture, the Credit Protection Agreement, the Administration Agreement, the Securities Account Control Agreement, the Investment Management Agreement, the Purchase Agreement and each other document to which the Trust is or may become a party, in each case as amended, supplemented or modified from time to time.

**“Beneficial Owner”** means, individually and collectively, a U.S. Beneficial Owner and a Non-U.S. Beneficial Owner.

**“Benefit Plan Investors”** has the meaning ascribed thereto in the Plan Asset Regulation; *i.e.*, (i) any employee benefit plan as defined in Section 3(3) of ERISA that is subject to Title I of ERISA, (ii) any plan described in and subject to Section 4975(e)(1) of the Code and (iii) any entity whose underlying assets are deemed to include plan assets (determined pursuant to the Plan Asset Regulation) by reason of an employee benefit plan’s or a plan’s investment in such entity.

**“BofA Merrill Lynch”** means Merrill Lynch, Pierce, Fenner & Smith Incorporated.

**“Book-Entry Notes”** means global notes in book-entry form held through the book-entry system of DTC, Euroclear or Clearstream, as applicable.

**“Burdened Party”** has the meaning set forth in the definition of “Tax Event Upon Merger.”

**“Business Day”** means a day other than (i) a Saturday or Sunday; or (ii) a day on which the offices of Freddie Mac, the corporate trust office of the Owner Trustee, the corporate trust offices of the Indenture Trustee or the Exchange Administrator (currently located at Boston, Massachusetts), DTC, or the banking institutions in the City of New York are authorized or obligated by law or executive order to be closed.

**“Calculation Agent”** means the calculation agent under the Indenture. The initial Calculation Agent will be U.S. Bank.

**“Canadian Purchaser”** means any purchaser of a Note who is located or resident in Canada or otherwise subject to the laws of Canada or who is purchasing for a principal who is located or resident in Canada or otherwise subject to the laws of Canada.

**“Canadian Securities Laws”** means all applicable securities laws, regulations, rules, instruments, rulings and orders, including those applicable in each of the provinces and territories of Canada.

**“CER” or “Credit Event Rate”** means a rate based on an assumption that a constant rate of Reference Obligations become Credit Event Reference Obligations each month relative to the then-outstanding aggregate principal balance of the Reference Obligations.

**“CFPB”** means the Consumer Financial Protection Bureau.

**“CFTC”** means the Commodity Futures Trading Commission.

**“Class”** means the Original Classes, the MAC Classes and the classes of Reference Tranches.

**“Class B Notes”** means, individually and collectively as the context may require, the Class B-1 Notes and the Class B-2 Notes.

**“Class Coupon”** means the applicable per annum interest rate for each Class of Notes and Class of Reference Tranche, which rate will equal the sum of (a) One-Month LIBOR and (b) the margin specified for such Class in Table 1.

**“Class Notional Amount”** means, the notional principal amount of each Class of Reference Tranche as of any Payment Date, which amount equals the initial Class Notional Amount of such Class of Reference Tranche, *minus* the aggregate amount of Senior Reduction Amounts and/or Subordinate Reduction Amounts allocated to such Class of Reference Tranche on such Payment Date and all prior Payment Dates, *minus* the aggregate amount of Tranche Write-down Amounts allocated to reduce the Class Notional Amount of such Class of Reference Tranche on such Payment Date and on all prior Payment Dates, and *plus* the aggregate amount of Tranche Write-up Amounts allocated to increase the Class Notional Amount of such Class of Reference Tranche on such Payment Date and on all prior Payment Dates. For the avoidance of doubt, no Tranche Write-up Amount or Tranche Write-down Amount will be applied twice on the same Payment Date.

**“Class Principal Balance”** means, individually and collectively, as of any Payment Date:

(1) with respect to each Class of Original Notes, the maximum dollar amount of principal to which the Holders of each Class of Original Notes are entitled as of such Payment Date, such amount being equal to the original Class Principal Balance of such Class of Notes, *minus* the aggregate amount of principal paid by the Trust on such Class of Notes on such Payment Date and all prior Payment Dates, *minus* the aggregate amount of Tranche Write-down Amounts allocated to reduce the Class Principal Balance of such Class of Notes on such Payment Date and on all prior Payment Dates, and *plus* the aggregate amount of Tranche Write-up Amounts allocated to increase the Class Principal Balance of such Class of Notes on such Payment Date and on all prior Payment Dates (in each case, without regard to any exchanges of Exchangeable Notes for MAC Notes); and

(2) with respect to each outstanding Class of MAC Notes that is entitled to principal, an amount equal to the outstanding Class Principal Balance or aggregate outstanding Class Principal Balance as of such Payment Date of the portion or portions of the related Class or Classes of Exchangeable Notes that are Original Notes and were exchanged for such MAC Note (including any related Class or Classes of MAC Notes further exchanged for other MAC Notes in the case of Combinations 2, 3, 4 and 5).

**“Clearstream”** means Clearstream Banking, société anonyme, which holds securities for its participants and facilitates the clearance and settlement of securities transactions between its participants through electronic book-entry changes in accounts of its participants.

**“Closing Date”** means May 21, 2018.

**“Code”** means the Internal Revenue Code of 1986, as amended.

**“Collateral”** means all of the Issuer’s right, title and interest in, to and under, whether now owned or existing, or hereafter acquired or arising, (a) the Distribution Account, (b) the Custodian Account, (c) all Eligible Investments (including, without limitation, any interest of the Issuer in the Custodian Account and any amounts from time to time on deposit therein) purchased with funds on deposit in the Custodian Account and all income from the investment of funds therein, (d) the Securities Account Control Agreement, (e) the Investment Management Agreement, (f) all accounts, general intangibles, chattel paper, instruments, documents, goods, money, investment property, deposit accounts, letters of credit, letter-of-credit rights, consisting of, arising from, or relating to, any of the foregoing, and (g) all proceeds, accessions, profits, income, benefits, substitutions and replacements, whether voluntary or involuntary, of and to any of the property of the Issuer described in the preceding clauses.

**“Combinations”** means the available modifications and combinations of Exchangeable Notes and MAC Notes.

**“Commodity Exchange Act”** means the Commodity Exchange Act, 7 U.S.C. 1 *et seq.*

**“Common Depositary”** means the common depositary for Euroclear, Clearstream and/or any other applicable clearing system, which will hold Common Depositary Notes on behalf of Euroclear, Clearstream and/or any such other applicable clearing system.

**“Common Depositary Notes”** means Notes that are deposited with a Common Depositary and that will clear and settle through the systems operated by Euroclear, Clearstream and/or any such other applicable clearing system other than DTC.

**“Compliance Review”** means the review conducted by the Third-Party Due Diligence Provider for compliance with certain federal, state and local laws and regulations.

**“Compliance Review Sample”** means those 150 mortgage loans selected from the Diligence Sample for the Compliance Review only.

**“Confirmation”** means the documents and other confirming evidence exchanged between the parties to the Master Agreement or otherwise effective for the purpose of confirming or evidencing the specific terms of the Credit Protection Transaction.

**“Conservator”** means FHFA in its capacity as conservator of Freddie Mac.

**“Conservatorship Scorecard”** means the annual scorecard issued by the Conservator.

**“CPA Additional Termination Event”** means the occurrence of any of the following, each of which constitutes an “Additional Termination Event” as defined in the Credit Protection Agreement:

1. The SEC makes a final determination that the Trust must register as an investment company under the Investment Company Act.
2. We reasonably determine, after consultation with a nationally recognized and reputable law firm, that we must register as a commodity pool operator under the Commodity Exchange Act and the regulations promulgated thereunder.
3. We reasonably determine that after the Closing Date, the adoption of any applicable law, regulatory guideline or interpretation or other statement of or regarding financial or regulatory accounting standards or principles, including with respect to capital adequacy, or any change therein, or any change in the interpretation or administration thereof by any official body, or any request or directive regarding the foregoing (in each case, whether or not having the force of law) of any official body, (a) materially adversely affects or would have the effect of materially adversely affecting the rate of return on the capital of us or any affiliate thereof, (b) materially increases the cost or reduces the benefit or would have the effect of materially increasing the cost or reducing the benefit to us or any such affiliate, in any case with respect to the Credit Protection Agreement or (c) has or would have a materially adverse effect on the treatment of the Credit Protection Agreement by us or any affiliate thereof for financial accounting purposes.
4. We reasonably determine that a financial accounting, tax, banking, insurance or regulatory (including regulatory accounting) requirement or event not contemplated by us on the Closing Date has occurred, which requirement or event could have a material adverse effect upon us.
5. We reasonably determine that any amendment, supplement or other modification of any Basic Document or any waiver of any provision thereof would materially and adversely impact our rights, as determined by us after consultation with a nationally recognized and reputable law firm, but only if we have not provided our written consent to such amendment, supplement, modification or waiver.
6. The maturity of the Notes has been accelerated in accordance with the Indenture.
7. The aggregate UPB of the Reference Obligations is less than or equal to 10% of the Cut-off Date Balance of the Reference Pool.
8. The Credit Protection Transaction remains outstanding on or after the Payment Date in April 2028.
9. The Indenture Trustee ceases to have a first priority, valid and enforceable security interest in the Collateral or such security interest proves not to have been a valid or enforceable first-priority security interest when granted or purported to have been granted.

**“CPA Early Termination Date”** means a Payment Date that is designated as an early termination date pursuant to the Credit Protection Agreement following the occurrence of (i) an event of default under the Credit Protection Agreement or (ii) a CPA Early Termination Event.

**“CPA Early Termination Event”** means, individually and collectively, an event that constitutes (i) an Illegality, (ii) a Tax Event, (iii) a Tax Event Upon Merger, and/or (iv) a CPA Additional Termination Event.

**“CPA Scheduled Termination Date”** means the Payment Date in May 2043.

**“CPA Termination Date”** means the earliest to occur of:

- (i) the CPA Scheduled Termination Date;
- (ii) the CPA Early Termination Date;
- (iii) the Payment Date related to the Reporting Period in which there occurs the final payment or other liquidation of the last Reference Obligation remaining in the Reference Pool or the disposition of any REO in respect thereof;

(iv) the Payment Date related to the Reporting Period in which there occurs the removal of the last Reference Obligation remaining in the Reference Pool or any REO in respect thereof; and

(v) the Payment Date on which the aggregate Class Principal Balance of all outstanding Classes of Original Notes is reduced to zero (without giving effect to any allocations of Tranche Write-down Amounts or Tranche Write-up Amounts on such Payment Date and all prior Payment Dates) and accrued and unpaid interest due on the Original Notes has been paid in full.

**“CPDI Regulations”** means the Regulations governing contingent payment debt instruments.

**“CPO”** means a “commodity pool operator” as defined under the Commodity Exchange Act.

**“CPR”** or **“Constant Prepayment Rate”** means a rate based on an assumption that the outstanding principal balance of a pool of mortgage loans prepays at a specified constant annual rate.

**“Credit Event”** with respect to any Payment Date on or before the CPA Termination Date means the first to occur of any of the following events with respect to any Reference Obligation being reported by the applicable servicer to Freddie Mac during the related Reporting Period: (i) a short sale with respect to the related mortgaged property is settled, (ii) a seriously delinquent mortgage note is sold prior to foreclosure, (iii) the mortgaged property that secured the related mortgage note is sold to a third party at a foreclosure sale, (iv) an REO disposition occurs or (v) the related mortgage note is charged off. With respect to any Credit Event Reference Obligation, there can only be one occurrence of a Credit Event; provided that one additional separate Credit Event can occur with respect to each instance of such Credit Event Reference Obligation becoming a Reversed Credit Event Reference Obligation.

**“Credit Event Amount”** with respect to each Payment Date, means the aggregate amount of the Credit Event UPBs of all Credit Event Reference Obligations for the related Reporting Period.

**“Credit Event Net Gain”** with respect to any Credit Event Reference Obligation, means an amount equal to the excess, if any, of:

(a) the related Net Liquidation Proceeds; over

(b) the sum of:

(i) the related Credit Event UPB;

(ii) the total amount of prior principal forgiveness modifications, if any, on the related Credit Event Reference Obligation; and

(iii) delinquent accrued interest thereon, calculated at the related Current Accrual Rate from the related last paid interest date through the date Freddie Mac determines such Reference Obligation has been reported as a Credit Event Reference Obligation.

**“Credit Event Net Loss”** with respect to any Credit Event Reference Obligation, means an amount equal to the excess, if any, of:

(a) the sum of:

(i) the related Credit Event UPB;

(ii) the total amount of prior principal forgiveness modifications, if any, on the related Credit Event Reference Obligation; and

(iii) delinquent accrued interest thereon, calculated at the related Current Accrual Rate from the related last paid interest date through the date Freddie Mac determines such Reference Obligation has been reported as a Credit Event Reference Obligation, over

(b) the related Net Liquidation Proceeds.

**“Credit Event Reference Obligation”** means any Reference Obligation with respect to which a Credit Event has occurred during the related Reporting Period.

**“Credit Event UPB”** with respect to any Credit Event Reference Obligation, means the unpaid principal balance thereof as of the end of the applicable Reporting Period.



**“Credit Premium Payment”** for any Payment Date means the greater of (i) the aggregate Interest Payment Amount for such Payment Date minus the earnings (including the aggregate amount of realized principal gains less any realized losses) on Eligible Investments during the prior calendar month; provided that with respect to the final Payment Date, such earnings will be measured based on the prior calendar month and the-then current calendar month and (ii) \$0.

**“Credit Protection Agreement”** means the Master Agreement together with the Confirmation by and between Freddie Mac and the Trust.

**“Credit Protection Payment”** for any Payment Date means the aggregate Tranche Write-down Amounts, if any, allocated to reduce the Class Principal Balance of each applicable outstanding Class of Notes on such Payment Date (without regard to any exchanges of Exchangeable Notes for any MAC Notes).

**“Credit Protection Reimbursement Payment”** for any Payment Date means the aggregate Tranche Write-up Amounts, if any, allocated to increase the Class Principal Balance of each applicable outstanding Class of Notes on such Payment Date (without regard to any exchanges of Exchangeable Notes for any MAC Notes).

**“Credit Protection Transaction”** means the transaction governed by the Credit Protection Agreement.

**“Credit Score”** means a number reported by a credit bureau, based on statistical models, that summarizes an individual’s credit record.

**“CRR Amendment Regulation”** means Regulation 2017/2401 of the European Parliament and of the Council of 12 December 2017.

**“CTA”** means a “commodity trading advisor” as defined under the Commodity Exchange Act.

**“Cumulative Net Loss Percentage”** with respect to each Payment Date, means a percentage equal to (i) the Principal Loss Amount for such Payment Date and all prior Payment Dates less the Principal Recovery Amount for such Payment Date and all prior Payment Dates; divided by (ii) the aggregate unpaid principal balance of the Reference Obligations in the Reference Pool as of the Cut-off Date.

**“Cumulative Net Loss Test”** with respect to any Payment Date, means a test that will be satisfied if the Cumulative Net Loss Percentage does not exceed the applicable percentage indicated below:

<b>Payment Date occurring in the period</b>	<b>Percentage</b>
June 2018 to May 2019 . . . . .	0.15%
June 2019 to May 2020 . . . . .	0.30%
June 2020 to May 2021 . . . . .	0.45%
June 2021 to May 2022 . . . . .	0.60%
June 2022 to May 2023 . . . . .	0.75%
June 2023 to May 2024 . . . . .	0.90%
June 2024 to May 2025 . . . . .	1.05%
June 2025 to May 2026 . . . . .	1.20%
June 2026 to May 2027 . . . . .	1.35%
June 2027 to May 2028 . . . . .	1.50%
June 2028 to May 2029 . . . . .	1.65%
June 2029 to May 2030 . . . . .	1.80%
June 2030 and thereafter . . . . .	1.95%

**“Current Accrual Rate”** with respect to each Payment Date and any Reference Obligation, the lesser of (i) the related current Accounting Net Yield; and (ii) the related current mortgage rate thereon (as adjusted for any modifications) minus 0.35%.

**“Custodian”** means the custodian pursuant to the Securities Account Control Agreement. The Custodian on the Closing Date will be U.S. Bank.

**“Custodian Account”** means the Custodian Account established pursuant to the Securities Account Control Agreement.

**“Cut-off Date”** means the close of business on March 15, 2018.

**“Cut-off Date Balance”** means the UPB of the Reference Pool as of the Cut-off Date.

**“Data Integrity Sample”** means those 350 mortgage loans selected from the Diligence Sample for a data integrity review only.

**“Day Count Fraction”** means the percentage equivalent of a fraction, the numerator of which is the actual number of days in the related Accrual Period and the denominator of which is 360.

**“Deficiency Amount”** means the amount, if any, by which our total liabilities exceed our total assets, as reflected on our GAAP balance sheet for the applicable fiscal quarter.

**“Definitive Notes”** means fully-registered Notes in definitive form.

**“Delinquency Test”** for any Payment Date, means a test that will be satisfied if:

(a) the sum of the Distressed Principal Balance for the current Payment Date and each of the preceding five Payment Dates, divided by six or, in the case of any Payment Date prior to the sixth Payment Date after the Closing Date, the sum of the Distressed Principal Balance for the current Payment Date and each of the preceding Payment Dates, divided by the number of Payment Dates since the Closing Date

is less than

(b) 50% of the amount by which (i) the product of (x) the Subordinate Percentage and (y) the aggregate UPB of the Reference Obligations as of the preceding Payment Date; exceeds (ii) the Principal Loss Amount for the current Payment Date.

**“Designated Page”** means Bloomberg L.P.’s page “BBAM”, or any other page that may replace page BBAM on that service or any other service that ICE nominates as the information vendor to display ICE’s Interest Settlement Rates for deposits in U.S. dollars.

**“Diligence Sample”** means the 500 mortgage loans selected by the Third-Party Diligence Provider from the Available Sample.

**“Distressed Principal Balance”** for any Payment Date, means the sum, without duplication, of the UPB of Reference Obligations that meet any of the following criteria:

- (a) Reference Obligations that are 60 days or more delinquent;
- (b) Reference Obligations that are in foreclosure, bankruptcy, or REO status; or
- (c) Reference Obligations that were modified in the 12 months preceding the end of the related Reporting Period.

**“Distribution Account”** means the Eligible Account designated as the Distribution Account and established in the name of the Indenture Trustee pursuant to the Indenture in which will be deposited (a) the investment income earned on the Eligible Investments, (b) the proceeds from the liquidation of Eligible Investments and (c) the Credit Premium Payments, Credit Protection Reimbursement Payments and Credit Protection Payments, that become due and payable.

**“Dodd Frank Act”** means the Dodd-Frank Wall Street Reform and Consumer Protection Act.

**“DTC”** means The Depository Trust Company, a New York-chartered limited purpose trust company.

**“DTC Note”** means a Note cleared, settled and maintained on the DTC system, registered in the name of a nominee of DTC. All of the Notes will be DTC Notes at issuance.

**“DTP”** means the ratio of a mortgagor’s monthly debt obligations (including the proposed new housing payment and related expenses such as property taxes and property insurance) to such mortgagor’s gross monthly income.

**“Early Redemption Date”** means the CPA Early Termination Date.

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

**“Eligible Account”** means any of (a) an account or accounts maintained with a federal or state-chartered depository institution or trust company (including the Indenture Trustee and Custodian) that has a combined capital and surplus of at least \$1,000,000,000 and the long-term unsecured debt obligations of which are rated at least “BBB” by S&P (or “A-” or higher by S&P if such institution’s short-term debt obligations are rated less than “A-2” by S&P) or “A3” by Moody’s or “A” by Fitch, if the deposits are to be held in such account for thirty (30) days or more, or the short-term debt obligations of which have a short-term rating of not less than “A-2” by

S&P or “P-2” by Moody’s or F1 by Fitch, if the deposits are to be held in such account for less than thirty (30) days; or (b) a segregated trust account or accounts maintained with the corporate trust department of a federal or state-chartered depository institution or trust company that, in either case, has a combined capital and surplus of at least \$50,000,000 and has corporate trust powers, acting in its fiduciary capacity, and the long term deposit or unsecured debt obligations of which are rated at least “BBB+” by S&P (or “A-” or higher by S&P if such institution’s short-term debt obligations are rated less than “A-2” by S&P) and “A3” by Moody’s, if the deposits are to be held in such account for thirty (30) days or more, or the short-term debt obligations of which have a short-term rating of not less than “A-2” by S&P and “P-2” by Moody’s, if the deposits are to be held in such account for less than thirty (30) days, provided, that with respect to this clause (b), that any state-chartered depository institution or trust company is subject to regulation regarding fiduciary funds substantially similar to 12 C.F.R. § 9.10(b).

**“Eligible Investments”** means each of the following investments as long as such investment has a maturity date no later than 60 days from the date of purchase:

(a) Obligations issued or fully guaranteed by the U.S. government or a U.S. government agency or instrumentality;

(b) Repurchase obligations with terms of 30 days or less involving any security described in (a) above and entered into with a depository institution or trust company (as principal) subject to supervision by federal or state banking authorities provided that the short term deposits and/or long term obligations or deposits of the depository institution or trust company are rated in the highest rating category by each applicable NRSRO; and

(c) Money market funds rated in one of two highest categories for long-term unsecured debt or in the highest category for short-term obligations by each applicable NRSRO;

*provided, however*, that in the event an investment fails to qualify under any of clauses (a) through (c) above, the proceeds of the sale of such investment shall still be deemed to be proceeds of an Eligible Investment for all purposes herein, provided such proceeds are promptly distributed in accordance with the Indenture or reinvested in Eligible Investments, as applicable. With respect to money market funds, the maturity date shall be determined under SEC Rule 2a-7 promulgated under the Investment Company Act.

**“Eligibility Criteria”** means the eligibility criteria to be satisfied with respect to each Reference Obligation in the Reference Pool, which criteria are as follows:

(a) is a fully amortizing, fixed-rate, one- to four-unit, first lien mortgage loan, which has an original term of 241 to 360 months;

(b) was acquired on or after January 1, 2012 through March 31, 2013;

(c) has not been prepaid in full as of April 3, 2018;

(d) as of April 3, 2018, the servicer has not reported that the mortgagor of such Reference Obligation has filed for bankruptcy;

(e) has not been repurchased by the applicable seller or servicer as of April 3, 2018;

(f) has no Underwriting Defects, Major Servicing Defects, Minor Servicing Defects, Unconfirmed Underwriting Defects or Unconfirmed Servicing Defects found in our internal quality control process as of April 3, 2018;

(g) as of February 28, 2018, has not been reported to be 30 days or more delinquent in the last 6 months, and has not been reported 30 days or more delinquent more than once in the last 12 months;

(h) was originated with documentation as described under “*Mortgage Loan Purchase and Servicing — Underwriting Standards — Documentation*” in Annex A;

(i) is not covered by pool insurance;

(j) either (A) if an HVE value is available for such loan as of the Cut-off Date, has an Estimated Loan-to-Value Ratio that is (i) greater than 60% and (ii) less than or equal to 200%, based on the outstanding

principal balance of the applicable Reference Obligation as of the Cut-off Date and its HVE value as of the Cut-off Date; or (B) if no HVE value is available for such loan as of the Cut-off Date, has an original loan-to-value ratio that is (i) greater than 80% and (ii) less than or equal to 200%;

(k) subject to any applicable TOBs or certain pilot programs, is not subject to recourse or other credit enhancement;

(l) was originated under the Relief Refinance Program including HARP, which is FHFA's name for our relief refinance program for mortgages with an LTV greater than 80%;

(m) the original mortgage loan was securitized into a PC prior to being refinanced;

(n) was not associated with a mortgage revenue bond purchased by Freddie Mac;

(o) had an original principal balance greater than or equal to \$5,000; and

(p) was not originated under a government program (e.g., FHA, VA or Guaranteed Rural Housing loans).

**"ELTV" or "Estimated Loan-to-Value"** with respect to each Reference Obligation, means the estimated LTV ratio obtained by dividing the outstanding balance of the Reference Obligation at the Cut-off Date by the value of the related mortgaged property obtained through HVE as of the Cut-off Date.

**"ERISA"** means the Employee Retirement Income Security Act of 1974, as amended.

**"ERISA Plan"** means an employee benefit plan, or certain other retirement plans and arrangements, including IRAs and annuities, Keogh plans, and collective investment funds in which such plans, accounts, annuities or arrangements are invested, that are described in or must follow Title I of ERISA or Section 4975 of the Code, or an entity that is deemed to hold the assets of any such plan.

**"EU Risk Retention and Due Diligence Requirements"** means the EU risk retention and due diligence requirements that currently apply, or are expected to apply in the future with respect to various types of EEA-regulated investors.

**"EU Risk Retention Letter"** means our letter agreement, dated the Closing Date, for the benefit of each Applicable Investor.

**"Euroclear"** means the Euroclear system.

**"Euroclear Operator"** means Euroclear Bank S.A./N.V.

**"Eurozone"** means the European Economic and Monetary Union.

**"Excess Expenses"** means as of any date of determination, any Expenses due and owing which are in excess of the applicable Expense Cap.

**"Exchange Act"** means the Securities Exchange Act of 1934, as amended.

**"Exchange Administrator"** means U.S. Bank in its capacity as exchange administrator.

**"Exchangeable Notes"** means the Classes of Original Notes that are modifiable and combinable with the MAC Notes and vice versa, *i.e.*, the Class M-2A Notes and Class M-2B Notes.

**"Expense Cap"** means (a) the aggregate annual cap on Expenses applicable to the Indenture Trustee, Custodian, Investment Manager and Exchange Administrator equal to an aggregate maximum reimbursement of \$100,000 in any 12-month period; *provided that*, (a)(i) as long as U.S. Bank or an Affiliate thereof is acting as the Indenture Trustee, Custodian, Investment Manager, and Exchange Administrator, in no event will the aggregate amount reimbursed to the Indenture Trustee, Custodian, Investment Manager and Exchange Administrator exceed \$100,000 in any 12-month period, and (ii) in the event the Indenture Trustee, Custodian, Investment Manager and the Exchange Administrator are not U.S. Bank or affiliates thereof, then in no event will the aggregate amount reimbursed to the Indenture Trustee exceed \$50,000 in any 12-month period and in no event will the aggregate amount reimbursed to each of the Custodian, Exchange Administrator and Investment Manager exceed \$50,000 in any 12-month period, and (b) Expenses incurred by the Indenture Trustee related to or resulting from

an Indenture Event of Default will not be subject to the Expense Cap. Any Excess Expenses will be reimbursable to the Indenture Trustee, Exchange Administrator, Investment Manager and the Custodian, as applicable, in subsequent months to the extent the Expense Cap is not exceeded in any 12-month period; and (b) the aggregate annual cap on Expenses applicable to the Owner Trustee equal to an aggregate maximum reimbursement of \$100,000 in any 12-month period; *provided that*, Expenses incurred by the Owner Trustee related to or resulting from an Indenture Event of Default will not be subject to the Expense Cap. Any Excess Expenses will be reimbursable to the Owner Trustee in the next subsequent month in which the Expense Cap is not exceeded in the immediately preceding 12-month period.

**“Expenses”** means for any Payment Date, an amount equal to the sum of all related fees, charges, indemnity amounts, costs and other amounts payable or reimbursable to each of the Indenture Trustee, the Custodian, the Investment Manager, the Exchange Administrator and the Owner Trustee, but excluding the Fees.

**“Fannie Mae”** means the Federal National Mortgage Association.

**“FATCA”** means the Foreign Account Tax Compliance Act.

**“FATCA Regulations”** means the final regulations promulgated to implement the FATCA provisions of the Hiring Incentives to Restore Employment Act.

**“FCA”** means the Financial Conduct Authority of the United Kingdom.

**“FDIC”** means the Federal Deposit Insurance Corporation.

**“Federal Reserve”** means the Federal Reserve System.

**“Fees”** with respect to each Transaction Party means the annual fees (whether payable annually, monthly or otherwise) payable to such party with respect to the execution of their respective duties under the Basic Documents as may be agreed to by such Transaction Party and the Sponsor.

**“FEMA”** means the Federal Emergency Management Agency.

**“FHFA”** means the Federal Housing Finance Agency.

**“Fiduciary Rule”** means regulations promulgated at 29 C.F.R. Section 2510.3-21.

**“FIEA”** means the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended).

**“Financial Intermediary”** means a brokerage firm, bank, thrift institution or other financial intermediary.

**“Fitch”** means Fitch Ratings, Inc.

**“Flex Modification”** means the Freddie Mac Flex Modification Program pursuant to which a mortgage loan may be modified up to three times.

**“Freddie Mac Act”** means the Federal Home Loan Mortgage Corporation Act, as amended (12 U.S.C. §1451-1459).

**“Freddie Mac Default”** means an Indenture Event of Default resulting from the failure of the Protected Party to perform its obligations under the Credit Protection Agreement.

**“FSCMA”** means the Financial Investment Service and Capital Markets Act of Korea.

**“FSMA”** means the United Kingdom Financial Services and Markets Act 2000, as amended.

**“GAAP”** means generally accepted accounting principles.

**“Garn-St. Germain Act”** means the Garn-St. Germain Depository Institutions act of 1982.

**“Grant”** means to grant, bargain, sell, warrant, alienate, remise, demise, release, convey, assign, transfer, mortgage, pledge, create and grant a security interest in and right of set-off against, deposit, set over and confirm. A Grant of any item of Collateral shall include all rights, powers and options (but none of the obligations) of the granting party thereunder, including the immediate continuing right to claim for, collect, receive and receipt for principal, interest and fee payments in respect of such item of Collateral, and all other monies payable thereunder, to give and receive notices and other communications, to make waivers or other agreements, to



exercise all rights and options, to bring proceedings in the name of the granting party or otherwise, and generally to do and receive anything that the granting party is or may be entitled to do or receive thereunder or with respect thereto.

**“Guide”** means the Freddie Mac Single-Family Seller/Servicer Guide.

**“HARP”** means the Home Affordable Refinance Program introduced by the FHFA and Treasury in 2009 as part of the Making Home Affordable program.

**“Holder”** means, in the case of (a) DTC Notes, DTC or its nominee; (b) Common Depositary Notes, the depository, or its nominee, in whose name the Notes are registered on behalf of a related clearing system; and (c) Notes in definitive registered form, the person or entity in whose name such Notes are registered in the Register

**“HUD”** means the U.S. Department of Housing and Urban Development.

**“HVE”** means Home Value Explorer, a proprietary AVM of Freddie Mac.

**“ICE”** means the ICE Benchmark Administration Limited.

**“Illegality”** means an event that will occur if, due to the adoption of, or change in, any applicable law, it becomes unlawful for either us or the Trust (such party being the Affected Party) to perform any obligation under the Credit Protection Agreement.

**“Incorporated Documents”** means, collectively, the documents incorporated by reference in this Memorandum including, (1) our Annual Report on Form 10-K for the year ended December 31, 2017, filed with the SEC on February 15, 2018; (2) all other reports we have filed with the SEC pursuant to Section 13(a) of the Exchange Act since the end of the year covered by that Form 10-K report, excluding any information we furnish to the SEC on Form 8-K; and (3) all documents that we file with the SEC pursuant to Section 13(a), 13(c) or 14 of the Exchange Act after the date of the Memorandum and prior to the termination of the offering of the Notes, excluding any information we furnish to the SEC on Form 8-K.

**“Indemnifiable Tax”** means any Tax other than a Tax that would not be imposed in respect of a payment under the Credit Protection Agreement but for a present or former connection between the jurisdiction of the government or taxation authority imposing such Tax and the recipient of such payment or a person related to such recipient (including, without limitation, a connection arising from such recipient or related person being or having been a citizen or resident of such jurisdiction, or being or having been organized, present or engaged in a trade or business in such jurisdiction, or having or having had a permanent establishment or fixed place of business in such jurisdiction, but excluding a connection arising solely from such recipient or related person having executed, delivered, performed its obligations or received a payment under, or enforced, the Credit Protection Agreement), which shall not include any U.S. federal withholding tax imposed or collected pursuant to Sections 1471 through 1474 of the Code, any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such sections of the Code (a “FATCA Withholding Tax”). For the avoidance of doubt, a FATCA Withholding Tax is a Tax the deduction or withholding of which is required by applicable law for the purposes of the Credit Protection Agreement.

**“Indenture”** means that certain Indenture, to be dated as of the Closing Date, between the Trust, as issuer, and U.S. Bank, as Indenture Trustee, Custodian and Exchange Administrator.

**“Indenture Event of Default”** means the occurrence of an event of default under the Indenture as described in *“The Agreements — The Indenture — Indenture Events of Default”*.

**“Indenture Trustee”** means U.S. Bank in its capacity as trustee pursuant to the Indenture.

**“Initial Cohort Pool”** means a pool of certain mortgage loans acquired by Freddie Mac between January 1, 2012 and March 31, 2013 from which the Reference Pool is selected.

**“Initial Exchange Date”** means the 15th day following the Closing Date (or if such 15th day is not a Business Day, the next Business Day).

**“Initial Purchaser”** means, individually and collectively, BofA Merrill Lynch, Barclays, BNP Paribas Securities Corp., Citigroup Global Markets Inc., J.P. Morgan Securities LLC, Morgan Stanley & Co. LLC and The Williams Capital Group, L.P.

**“Interest Accrual Amount”** means with respect to each outstanding Class of Notes (and for purposes of calculating allocations of any Modification Gain Amounts or Modification Loss Amounts, the Class M-1H Reference Tranche) during each Accrual Period an amount equal to:

(i) the Class Coupon for such Class of Notes or the Class M-1H Reference Tranche for such Accrual Period (calculated using the Class Coupon formula described in Table 1, if applicable), multiplied by

(ii) the Class Principal Balance, Notional Principal Amount or Class Notional Amount of such Class of Notes or the Class M-1H Reference Tranche, as applicable, immediately prior to such Payment Date, multiplied by

(iii) the Day Count Fraction.

**“Interest Only MAC Notes”** means the MAC Notes that receive interest payments but not principal payments, *i.e.*, then Class M-2AI Notes, Class M-2BI Notes and Class M-2I Notes.

**“Interest Payment Amount”** means with respect to each outstanding Class of Notes and any Payment Date, an amount equal to the related Interest Accrual Amount for such Class of Notes, less any Modification Loss Amount for such Payment Date allocated to reduce the Interest Payment Amount for such Class of Notes for such Payment Date pursuant to the Modification Loss Priority, or plus any Modification Gain Amount for such Payment Date allocated to increase the Interest Payment Amount of such Class of Notes for such Payment Date pursuant to the Modification Gain Priority.

**“Investment Company Act”** means the Investment Company Act of 1940, as amended.

**“Investment Guidelines”** means the investment guidelines specified in the Investment Management Agreement.

**“Investment Manager”** means the investment manager pursuant to the Investment Management Agreement. The Investment Manager on the Closing Date will be U.S. Bancorp Asset Management, Inc.

**“Investment Management Agreement”** means the Investment Management Agreement dated as of the Closing Date among the Investment Manager, the Administrator and the Trust.

**“IORP”** means institution for occupational retirement provision falling within the scope of Directive (EU) 2016/2341 (subject to certain exceptions) or an investment manager or authorized entity appointed by such an institution.

**“IRA”** means an individual retirement account.

**“IRS”** means the Internal Revenue Service.

**“ISDA”** means the International Swaps and Derivatives Association, Inc.

**“Issuer”** means the Trust.

**“Junior Reference Tranche”** means each of the Class B-1, Class B-1H, Class B-2 and Class B-2H Reference Tranches.

**“Letter Agreement”** means the letter agreement, dated December 21, 2017, we, through FHFA, acting as Conservator, entered into that amends the Senior Preferred Stock.

**“Letter of Representations”** means the Blanket Issuer Letter of Representations dated July 5, 2017 from us to DTC.

**“LIBOR”** means the London Interbank Offered Rate, as determined by the Indenture Trustee on each LIBOR Adjustment Date.

**“LIBOR Adjustment Date”** means the second LIBOR Business Day before each Accrual Period begins.

**“LIBOR Business Day”** means a day on which banks are open for dealing in foreign currency and exchange in London, New York City and Washington, D.C.

**“Liquidation Proceeds”** with respect to any Credit Event Reference Obligation means all cash amounts (including sales proceeds) received in connection with the liquidation of the Credit Event Reference Obligation.

**“LP”** means Loan Prospector, a proprietary model of Freddie Mac currently known as Loan Product Advisor<sup>SM</sup>.

**“LTV”** means loan-to-value.

**“MAC Classes”** means the Classes of MAC Notes.

**“MAC Notes”** means interests in the Exchangeable Notes represented by the Modifiable And Combinable STACR Notes identified on Table 2 to the Memorandum, *i.e.*, the Class M-2 Notes, Class M-2R Notes, Class M-2S Notes, Class M-2T Notes, Class M-2U Notes, Class M-2I Notes, Class M-2AR Notes, Class M-2AS Notes, Class M-2AT Notes, Class M-2AU Notes, Class M-2AI Notes, Class M-2BR Notes, Class M-2BS Notes, Class M-2BT Notes, Class M-2BU Notes and Class M-2BI Notes.

**“Major Servicing Defect”** means with respect to each Payment Date and any Reference Obligation for which Freddie Mac has determined the existence of an Unconfirmed Servicing Defect, the occurrence of any of the following:

- (a) repurchase by the related servicer resulting in a full recovery of losses incurred by Freddie Mac during the related Reporting Period;
- (b) the party responsible for the representations and warranties and/or servicing obligations or liabilities with respect to the Reference Obligation becomes subject to a bankruptcy, an insolvency proceeding or a receivership; or
- (c) inappropriate cancellation of the mortgage insurance policy, provided that the servicer has not reinstated the related policy or otherwise assumed the obligations of the related mortgage insurance company.

Reference Obligations covered under servicing settlements will not result in Major Servicing Defects, excluding Reference Obligations for which (c) above applies.

**“Maturity Date”** means the earliest to occur of (i) the Scheduled Maturity Date, (ii) the Early Redemption Date and (iii) the CPA Termination Date.

**“Master Agreement”** means the 1992 ISDA Master Agreement (Multicurrency-Cross Border) dated the Closing Date between the Trust and Freddie Mac, including the schedule thereto.

**“Memorandum”** means this Private Placement Memorandum.

**“MERS”** means Mortgage Electronic Registration Systems, Inc.

**“Mezzanine Reference Tranche”** means each of the Class M-1H, Class M-2A, Class M-2AH, Class M-2B, and Class M-2BH Reference Tranches.

**“Minimum Credit Enhancement Test”** with respect to any Payment Date is a test that will be satisfied if the Subordinate Percentage is greater than or equal to 4.50%.

**“Minor Servicing Defect”** means with respect to each Payment Date and any Reference Obligation for which Freddie Mac has determined the existence of an Unconfirmed Servicing Defect, the occurrence of a remedy, other than by repurchase that is mutually agreed upon by both Freddie Mac and the related servicer that results in a recovery of the damages sustained by Freddie Mac on such Reference Obligation as a result of such Unconfirmed Servicing Defect.

No Reference Obligation will be removed from the Reference Pool solely as a result of the determination of a Minor Servicing Defect, and any such Reference Obligation will remain eligible to become subject to an Underwriting Defect or Major Servicing Defect.

**“Modeling Assumptions”** means the Modeling assumptions set forth in “— *Assumptions Relating to Weighted Average Life Tables, Declining Balances Tables, Credit Event Sensitivity Table, Cumulative Note Write-Down Amount Tables and Yield Tables*”.

**“Modification Event”** with respect to any Reference Obligation means a forbearance or mortgage rate modification relating to such Reference Obligation, in each case as reported by the applicable servicer to us during the related Reporting Period.

**“Modification Excess”** with respect to each Payment Date and any Reference Obligation that has experienced a Modification Event, means the excess, if any, of:

- (a) one-twelfth of the Current Accrual Rate multiplied by the interest bearing UPB of such Reference Obligation; over
- (b) one-twelfth of the Original Accrual Rate multiplied by the UPB of such Reference Obligation.

**“Modification Gain Amount”** with respect to each Payment Date, means the excess, if any, of the aggregate Modification Excess over the aggregate Modification Shortfall for such Payment Date.

**“Modification Gain Priority”** means the order of priority in which the Modification Gain Amount, if any, will be allocated on each Payment Date on or prior to the Maturity Date, as described in *“Description of the Notes — Hypothetical Structure and Calculations with Respect to the Reference Tranches — Allocation of Modification Gain Amount”*.

**“Modification Loss Amount”** with respect to each Payment Date, means the excess, if any, of the aggregate Modification Shortfall over the aggregate Modification Excess for such Payment Date.

**“Modification Loss Priority”** means the order of priority in which the Modification Loss Amount, if any, will be allocated on each Payment Date on or prior to the Maturity Date, as described in *“Description of the Notes — Hypothetical Structure and Calculations with Respect to the Reference Tranches — Allocation of Modification Loss Amount”*.

**“Modification Shortfall”** with respect to each Payment Date and any Reference Obligation that has experienced a Modification Event, means the excess, if any, of:

- (a) one-twelfth of the Original Accrual Rate multiplied by the UPB of such Reference Obligation; over
- (b) one-twelfth of the Current Accrual Rate multiplied by the interest bearing UPB of such Reference Obligation.

**“Moody’s”** means Moody’s Investors Service, Inc.

**“Morningstar”** means Morningstar Credit Ratings, LLC.

**“Mortgage Insurance Credit Amount”** means with respect to each Payment Date and any Credit Event Reference Obligation, the amount that we report is payable under any effective mortgage insurance policy (or, if the servicer has assumed the obligation of the related mortgage insurance company after an inappropriate cancellation of the related policy, the amount payable by such servicer) relating to such Credit Event Reference Obligation; provided, that such Mortgage Insurance Credit Amount will be limited to the amount that would be necessary to reduce to zero any Credit Event Net Gain and Credit Event Net Loss (in each case as calculated after taking into account any subsequent losses in the related Reporting Period on such Credit Event Reference Obligation as contemplated under *clause (c)* of the definition of Principal Loss Amount and any subsequent recoveries in the related Reporting Period on such Credit Event Reference Obligation as contemplated under *clause (b)* of the definition of Principal Recovery Amount) that would otherwise result for such Credit Event Reference Obligation on such Payment Date. If it is subsequently determined that the Mortgage Insurance Credit Amount with respect to any previous Payment Date should have been a different amount based upon additional information we receive after such Payment Date, such difference will be treated as a subsequent loss in the related Reporting Period under *clause (c)* of the definition of Principal Loss Amount (if the amount should have been lower) or a subsequent recovery in the related Reporting Period under *clause (b)* of the definition of Principal Recovery Amount (if the amount should have been higher or if the Mortgage Insurance Credit Amount was limited pursuant to the proviso of the immediately preceding sentence and the amount actually received pursuant to the related mortgage insurance policy was greater than such limited amount, such difference will be treated as a subsequent recovery in the related Reporting Period), as described under *“— Allocation of Tranche Write-up Amounts”*. Any Mortgage Insurance Credit Amount we report will be included as a component of Net Liquidation Proceeds irrespective of our receipt of such amounts from the related mortgage insurance

company. The Mortgage Insurance Credit Amount will not be reduced or otherwise affected irrespective of (i) any insolvency of the related mortgage insurance company or (ii) any settlement or agreement between us and the related mortgage insurance company resulting in the reduction in a claim payment or the commutation or cancellation of coverage under the related mortgage insurance policy. For the avoidance of doubt, *clause (ii)* in the immediately preceding sentence excludes settlements or agreements related to the transfer of a mortgage note to a third party. The Mortgage Insurance Credit Amount with respect to any Reference Obligation will be deemed to be zero in the event that the related mortgage note is transferred to a third party. In such event, any proceeds received from the related mortgage insurance company in connection with the commutation or cancellation of mortgage insurance for any related mortgage note with an effective mortgage insurance policy will be included as a component of Liquidation Proceeds.

**“MSR”** means mortgage servicing right, i.e., the contractual right to service a mortgage loan.

**“Net Liquidation Proceeds”** means with respect to each Payment Date and any Credit Event Reference Obligation, the sum of the related Liquidation Proceeds, any Mortgage Insurance Credit Amount, and any proceeds received from the related servicer in connection with a Minor Servicing Defect (except for those included in the Modification Excess for such Credit Event Reference Obligation), less related expenses, credits and reimbursement of advances; including but not limited to taxes and insurance, legal costs, maintenance and preservation costs; provided, however, to the extent that any such proceeds are received in connection with a Minor Servicing Defect resulting from a servicer’s mishandling of a mortgage insurance claim, such proceeds will not be included in the Net Liquidation Proceeds.

**“NI 31-103”** means Canadian National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations.

**“NI-45-106”** means Canadian National Instrument 45-106 Prospectus Exemptions.

**“No-Action Letter”** means CFTC Letter No. 14-111 dated August 25, 2014 granting no-action relief from the CFTC to Freddie Mac, a copy of which is attached to this Memorandum as Appendix F.

**“Non-U.S. Beneficial Owner”** means a Beneficial Owner of a Note that is an individual, a corporation, an estate or a trust that is not a U.S. Person.

**“Note Owners”** means persons acquiring beneficial ownership interests in the Book-Entry Notes.

**“Note Purchase Agreement”** means the Note Purchase Agreement dated on or before the Closing Date among us, BofA Merrill Lynch and Barclays under which BofA Merrill Lynch is acting for itself and as representative of the Initial Purchasers, other than Barclays.

**“Note Registrar”** means the note registrar pursuant to the Indenture. The initial Note Registrar will be U.S. Bank.

**“Note Register”** means a register of the Holders of Notes maintained by the Note Registrar pursuant to the Indenture.

**“Noteholder”** means a holder of a Note and is used interchangeably with Holder.

**“Notes”** means, collectively, the Original Notes and the MAC Notes.

**“Notional Principal Amount”** means, individually and collectively, as of any Payment Date with respect to each Class of outstanding Interest Only MAC Notes, an amount equal to the outstanding Class Principal Balance as of such Payment Date of the portion of the related Class of Exchangeable Notes (or the Class M-2 Notes pursuant to Combination 1) that was exchanged for such Interest Only MAC Note.

**“NPC”** means notional principal contract.

**“NRSROs”** means nationally recognized statistical rating organizations as defined in Section 3(a)(62) of the Exchange Act.

**“OID”** means original issue discount.

**“One-Month LIBOR”** means the interest settlement rate for U.S. dollar deposits with a maturity of one month set by ICE as of 11:00 a.m. (London time) on the LIBOR Adjustment Date as displayed on the Designated Page,



as determined by the Indenture Trustee. If ICE's Interest Settlement Rate does not appear on the Designated Page as of 11:00 a.m. (London time) on a LIBOR Adjustment Date, or if the Designated Page is not then available, One-Month LIBOR for that date will be the most recently published Interest Settlement Rate. If ICE ceases to set or publish a rate for LIBOR and/or we determine that the customary method for determining LIBOR is no longer viable, we may elect to designate an alternative method or alternative index. In making an election to use any alternative method or index, we may take into account a variety of factors, including then-prevailing industry practices or other developments. We may also, for any period, apply an adjustment factor to any alternative method or index as we deem appropriate to better achieve comparability to the current index and other industry practices. See *"Risk Factors — Investment Factors and Risks Related to the Notes — LIBOR Levels Could Reduce the Yield on the Notes"*, *"— Uncertainty Relating to the Determination of LIBOR and the Potential Phasing Out of LIBOR after 2021 May Adversely Affect the Value of the Notes"* and *"— The Use of an Alternative Method or Index in Place of LIBOR for Determining Monthly Interest Rates May Adversely Affect the Value of Certain Notes"*.

**"Original Accrual Rate"** means with respect to each Payment Date and any Reference Obligation, the lesser of (i) the related Accounting Net Yield as of the Cut-off Date; and (ii) the related mortgage rate as of the Cut-off Date minus 0.35%.

**"Original Class M Notes"** means the Class M-2A and Class M-2B Notes.

**"Original Notes"** means the Classes of Notes issued on the Closing Date, *i.e.*, the Class M-2A, Class M-2B, Class B-1 and Class B-2 Notes.

**"Origination Rep and Warranty/Servicing Breach Settlement"** means any settlement (which settlement only relates to claims arising from breaches of origination/selling representations and warranties or breaches of servicing obligations) that Freddie Mac enters into with a seller or servicer in lieu of requiring such seller or servicer to repurchase a specified pool of mortgage loans that include, among others, one or more Reference Obligations, as a result of breaches of origination/selling representations or warranties or as a result of breaches of servicing obligations whereby Freddie Mac has received the agreed-upon settlement proceeds from such seller or servicer. For the avoidance of doubt, any Origination Rep and Warranty/Servicing Breach Settlement will only relate to breaches of either (i) origination/selling representations and warranties or (ii) servicing obligations, but not both.

**"Origination Rep and Warranty/Servicing Breach Settlement Amount"** means with respect to the Payment Date in the month after the calendar month in which an Origination Rep and Warranty/Servicing Breach Settlement occurs, the lesser of:

- (a) the aggregate amount of Credit Event Net Losses of the Origination Rep and Warranty/Servicing Breach Settlement Reference Obligations for such Payment Date and all prior Payment Dates, less the aggregate amount of Credit Event Net Losses of the Origination Rep and Warranty/Servicing Breach Settlement Reference Obligations that were Reversed Credit Event Reference Obligations for such Payment Date and all prior Payment Dates; and

- (b) the Origination Rep and Warranty/Servicing Breach Settlement Loan Allocation Amount (Cap);

and with respect to each Payment Date thereafter, the lesser of:

- (a) the aggregate amount of Credit Event Net Losses of the Origination Rep and Warranty/Servicing Breach Settlement Reference Obligations for such Payment Date; and

- (b) the maximum of:

- (i) zero; and

- (ii) the Origination Rep and Warranty/Servicing Breach Settlement Loan Allocation Amount (Cap), less the Origination Rep and Warranty/Servicing Breach Settlement Amount for all prior Payment Dates.

**"Origination Rep and Warranty/Servicing Breach Settlement Loan Allocation Amount (Cap)"** means with respect to any Origination Rep and Warranty/Servicing Breach Settlement, an amount equal to the greater of (A) zero or (B)(1) the sum of the Origination Rep and Warranty/Servicing Breach Settlement proceeds

determined to be attributable to the Reference Obligations (such determination to be made by Freddie Mac at or about the time of the settlement) *minus* (2) the aggregate amount of unreimbursed Credit Event Net Losses on such Origination Rep and Warranty/Servicing Breach Settlement Reference Obligations that Freddie Mac identified as having Underwriting Defects or Major Servicing Defects, as applicable, through the related Origination Rep and Warranty/Servicing Breach Settlement date (exclusive of the related settlement proceeds).

**“Origination Rep and Warranty/Servicing Breach Settlement Reference Obligations”** means the Reference Obligations (including Credit Event Reference Obligations) that are covered by an Origination Rep and Warranty/Servicing Breach Settlement.

**“Overcollateralization Amount”** means, for each Payment Date, an amount equal to (a) the aggregate amount of Write-up Excesses for such Payment Date and all prior Payment Dates, *minus* (b) the aggregate amount of Write-up Excesses used to offset Tranche Write-down Amounts on all prior Payment Dates.

**“Owner Trustee”** means Wilmington Trust, National Association, not in its individual capacity but solely in its capacity as owner trustee of STACR Trust 2018-HRP1.

**“Payment Date”** means the twenty-fifth (25<sup>th</sup>) day of each month, or, if such date is not a Business Day, then on the next succeeding Business Day, commencing in June 2018.

**“Payment Date Statement”** means a statement prepared by the Indenture Trustee each month setting forth certain information relating to the Reference Pool, the Credit Protection Agreement, the Investment Management Agreement, the Securities Account Control Agreement, the Notes, the Reference Tranches and the hypothetical structure described in this Memorandum.

**“PC”** means a participation certificate.

**“Plan”** means an ERISA Plan or a governmental plan, church plan or foreign plan that is subject to foreign law or United States federal, state or local law similar to that of Title I of ERISA or Section 4975 of the Code.

**“Plan Asset Regulation”** means the regulations at 29 CFR § 2510.3-101, as modified by Section 3(42) of ERISA promulgated by the U.S. Department of Labor.

**“Plan Fiduciary”** means a fiduciary of a Plan.

**“PRC”** means the People’s Republic of China, not including the Hong Kong or Macau Special Administrative Regions or Taiwan.

**“Preliminary Class Notional Amount”** means, for each Reference Tranche, an amount equal to the Class Notional Amount of such Reference Tranche immediately prior to such Payment Date, after the application of the Preliminary Tranche Write-down Amount in accordance with the same priorities set forth in “— *Allocation of Tranche Write-down Amount*”, and after the application of the Preliminary Tranche Write-up Amount in accordance with the same priorities set forth in “— *Allocation of Tranche Write-up Amount*”.

**“Preliminary Principal Loss Amount”** means an amount equal to the Principal Loss Amount computed without giving effect to *clause (d)* of the definition of Principal Loss Amount.

**“Preliminary Tranche Write-down Amount”** means an amount equal to the Tranche Write-down Amount computed using the Preliminary Principal Loss Amount instead of the Principal Loss Amount;

**“Preliminary Tranche Write-up Amount”** means an amount equal to the Tranche Write-up Amount computed using the Preliminary Principal Loss Amount instead of the Principal Loss Amount.

**“Principal Balance Notes”** means the Notes other than the Interest Only MAC Notes.

**“Principal Loss Amount”** with respect to each Payment Date, means the sum of:

- (a) the aggregate amount of Credit Event Net Losses for all Credit Event Reference Obligations for the related Reporting Period;
- (b) the aggregate amount of court-approved principal reductions (“cramdowns”) on all Reference Obligations in the related Reporting Period;

(c) subsequent losses in the related Reporting Period on any Reference Obligation that became a Credit Event Reference Obligation on a prior Payment Date; and

(d) amounts included in the *second, fourth, seventh, eighth and tenth* priorities set forth in “— Allocation of Modification Loss Amount”.

**“Principal Recovery Amount”** with respect to each Payment Date, means the sum of:

(a) the aggregate amount of Credit Event Net Losses for all Reversed Credit Event Reference Obligations for the related Reporting Period;

(b) subsequent recoveries in the related Reporting Period on any Reference Obligation that became a Credit Event Reference Obligation on a prior Payment Date;

(c) the aggregate amount of the Credit Event Net Gains of all Credit Event Reference Obligations for the related Reporting Period;

(d) the Origination Rep and Warranty/Service Breach Settlement Amount for such Payment Date; and

(e) solely with respect to the Payment Date that is the CPA Termination Date, the Projected Recovery Amount.

**“Principal Reduction Modification”** means permanent forgiveness of a portion of principal for certain qualifying mortgagors and mortgage loans.

**“Proceeding”** means any suit in equity, action at law or other judicial or administrative proceeding.

**“Prohibited Transactions”** means transactions involving the assets of a Plan and certain persons having certain relationships to such Plans that are prohibited by Section 406 of ERISA and Section 4975 of the Code.

**“Projected Recovery Amount”** means the fair value of the estimated amount of future subsequent recoveries on the CPA Termination Date, as determined by the Sponsor, at its sole discretion, on the Credit Event Reference Obligations.

**“Protected Party”** means Freddie Mac, in its capacity as a party to the Credit Protection Agreement.

**“Protected Party Payment”** means the Credit Premium Payment and the Credit Protection Reimbursement Payment, as applicable.

**“PUD”** means any residential property consisting of one- to four-family dwelling units, townhouses, individual condominium units and individual units in planned unit developments.

**“Purchase Agreement”** means the Senior Preferred Stock Purchase Agreement dated September 7, 2008 between the Conservator and Treasury, as amended on September 26, 2008, May 6, 2009, December 24, 2009, August 17, 2012 and December 21, 2017.

**“QIB”** means a qualified institutional buyer as defined in Rule 144A under the Securities Act.

**“Random Sample QC Compliance Review”** means the portion of the Random Sample QC Selection subject only to a review for compliance with certain laws that may result in assignee liability and for compliance with certain laws that restrict points and fees.

**“Random Sample QC Credit Review”** means the portion of the Random Sample QC Selection that were subject only to a credit review.

**“Random Sample QC Dual Credit and Compliance Review”** means the portion of the Random sample QC Selection subject to a review for both credit and compliance.

**“Random Sample QC Selection”** means the loans out of the Initial Cohort Pool that were chosen for quality control review using a random selection process.

**“Rated Notes”** means the Original Class M Notes and the MAC Notes.

**“Rating Agency”** means each of Fitch and Morningstar.

**“Record Date”** means, with respect to each Payment Date:

- (1) with respect to Book-Entry Notes, the close of business on the Business Day immediately preceding such Payment Date; and
- (2) with respect to Definitive Notes, the close of business on the last Business Day of the calendar month preceding such Payment Date.

**“Recovery Principal”** with respect to any Payment Date is the sum of:

- (a) the excess, if any, of the Credit Event Amount for such Payment Date, over the Tranche Write-down Amount for such Payment Date; and
- (b) the Tranche Write-up Amount for such Payment Date.

**“Reference Obligations”** means certain residential first lien mortgage loans, deeds of trust or similar security instruments encumbering mortgaged properties originated under the Relief Refinance Program, that Freddie Mac acquired between January 1, 2012 and March 31, 2013, meet the Eligibility Criteria and have certain other characteristics as more fully described in Appendix A.

**“Reference Pool”** means the pool of Reference Obligations as more fully described in Appendix A.

**“Reference Pool Removal”** means the removal of a Reference Obligation from the Reference Pool after the issuance of the Notes because (i) the Reference Obligation becomes a Credit Event Reference Obligation; (ii) the Reference Obligation is paid in full; (iii) of the identification and final determination, through our quality control process, of an Underwriting Defect or Major Servicing Defect relating to such Reference Obligation; (iv) of the discovery of a violation of the Eligibility Criteria for such Reference Obligation; or (v) the Reference Obligation is seized pursuant to any special eminent domain proceeding brought by any federal, state or local government instrumentality with the intent to provide relief to financially-distressed mortgagors with negative equity in the underlying mortgage loan. A Reference Obligation will not be removed from the Reference Pool if it undergoes a temporary or permanent modification and it does not meet any other criteria in the prior sentence to be removed. Each Reference Obligation required to be removed from the Reference Pool shall be so removed:

- (a) in the case of any Reference Obligation required to be removed pursuant to clause (i) or (ii) above, as of the Payment Date related to the Reporting Period during which (i) or (ii) above occurred with respect to such Reference Obligation, after giving effect to the payment of all Credit Protection Payments required to be paid on such Payment Date; or
- (b) in the case of any Reference Obligation required to be removed pursuant to clause (iii), (iv) or (v) above, as of the date in the related Reporting Period on which (iii), (iv) or (v) occurred with respect to such Reference Obligation.

**“Reference Tranche”** means each Class of reference tranche deemed to be backed by the Reference Pool and established pursuant to the hypothetical structure as described in *“Description of the Notes — Hypothetical Structure and Calculations with Respect to the Reference Tranches”*, i.e., the Class A-H, Class M-1H, Class M-2A, Class M-2AH, Class M-2B, Class M-2BH, Class B-1, Class B-1H, Class B-2 and Class B-2H Reference Tranches.

**“Reform Act”** means the Federal Housing Finance Regulatory Reform Act of 2008, as amended.

**“Regulation AB”** means Regulation AB under the Securities Act.

**“Regulation X”** means Regulation X under the Exchange Act.

**“Regulation Z”** means Regulation Z promulgated under the Federal Truth in Lending Act.

**“Regulations”** means the U.S. tax laws and U.S. Treasury regulations.

**“REIT”** means real estate investment trust.

**“Relief Act”** means the Servicemembers Civil Relief Act, as amended.

**“Relief Refinance Mortgage — Open Access”** means a mortgage being refinanced under the Relief Refinance Program, the servicer of which may be any Freddie Mac-approved servicer.

**“Relief Refinance Mortgage — Same Servicer”** means a mortgage being refinanced under the Relief Refinance Program, and the originator of the new refinance mortgage must be the servicer of the mortgage being refinanced.

**“Relief Refinance Mortgages”** means, collectively the Relief Refinance Mortgages — Same Servicer and Relief Refinance Mortgages — Open Access.

**“Relief Refinance Program”** means the Freddie Mac Relief Refinance Program offering Relief Refinance Mortgages, a portion of which represents Freddie Mac’s business implementation of, HARP, which is FHFA’s name for Freddie Mac’s refinance program for mortgages with an LTV greater than 80%.

**“REMIC”** means real estate mortgage investment conduit.

**“REO”** means real estate owned properties.

**“Reporting Period”** means:

(a) for the Payment Date in June 2018 and for purposes of making calculations with respect to the hypothetical structure and the Reference Tranches, the Reporting Periods will be:

(1) from March 16, 2018 through May 15, 2018 in the case of all principal collections, other than full prepayments, on the Reference Obligations,

(2) from April 4, 2018 through June 4, 2018 in the case of full principal prepayments on the Reference Obligations and for determining loan modifications, Unconfirmed Underwriting Defects, Underwriting Defects, Unconfirmed Servicing Defects, Minor Servicing Defects or Major Servicing Defects, and in the case of determining any Credit Event resulting from short sales being settled, from chargeoffs, from a seriously delinquent Mortgage Note being sold prior to foreclosure, from the mortgaged property that secured the related Mortgage Note being sold to a third party at a foreclosure sale, or from an REO disposition, and

(3) in the case of determining delinquency status with respect to each Reference Obligation, April 30, 2018; and

(b) for any Payment Date (other than the Payment Date in June 2018) and for purposes of making calculations with respect to the hypothetical structure and the Reference Tranches:

(1) in the case of all principal collections, other than full prepayments, on the Reference Obligations, the period from and including the 16th day of the second calendar month preceding the month in which such Payment Date occurs to and including the 15th day of the calendar month immediately preceding the month in which such Payment Date occurs,

(2) in the case of full principal prepayments on the Reference Obligations, in the case of determining loan modifications, Unconfirmed Underwriting Defects, Underwriting Defects, Unconfirmed Servicing Defects, Minor Servicing Defects or Major Servicing Defects, and in the case of determining the occurrence of a Credit Event, the period from but excluding the 2nd Business Day of the calendar month immediately preceding the month in which such Payment Date occurs to and including the 2nd Business Day of the calendar month in which such Payment Date occurs, and

(3) in the case of determining delinquency status with respect to each Reference Obligation, the last day of the second calendar month preceding the month in which such Payment Date occurs.

**“Retained Interest”** a retention by Freddie Mac, as originator (as such term is defined for the purpose of Article 405(1) of not less than 5% of the nominal value of each of the tranches sold or transferred to the investor in the Transaction.



**“Reversed Credit Event Reference Obligation”** with respect to each Payment Date means a Reference Obligation formerly in the Reference Pool that became a Credit Event Reference Obligation in a prior Reporting Period that is found in the related Reporting Period, through Freddie Mac’s quality control process, to have an Underwriting Defect, Major Servicing Defect or a data correction that invalidates the previously determined Credit Event.

**“RIC”** means regulated investment company.

**“RM”** means interest rate modification.

**“Rule 17g-5”** means Rule 17g-5 of the Exchange Act.

**“Rules”** means the rules, regulations and procedures creating and affecting DTC and its operations.

**“S&P”** means Standard & Poor’s Ratings Services, a Standard & Poor’s Financial Services LLC business.

**“Scheduled Maturity Date”** means the Payment Date in May 2043.

**“SEC”** means the U.S. Securities and Exchange Commission.

**“Section 1272(a)(6) Inclusion”** means the gross income inclusion under Section 1272(a)(6) of the Code for an accrual period.

**“Secured Party”** means each of the Protected Party and the Holders.

**“Securities Act”** means the Securities Act of 1933, as amended.

**“Securities Account Control Agreement”** means the Securities Account Control Agreement dated as of the Closing Date between the Issuer, the Indenture Trustee and the Custodian.

**“Securitization Regulations”** means, collectively, the CRR Amendment Regulation and the STS Securitization Regulation.

**“Senior Percentage”** with respect to any Payment Date means the percentage equivalent of a fraction, the numerator of which is the Class Notional Amount of the Class A-H Reference Tranche immediately prior to such Payment Date and the denominator of which is the aggregate unpaid principal balance of the Reference Obligations in the Reference Pool at the end of the previous Reporting Period.

**“Senior Preferred Stock”** means the Variable Liquidation Preference Senior Preferred Stock (with an initial liquidation preference of \$1 billion).

**“Senior Reduction Amount”** means, with respect to any Payment Date:

(A) if any of the Minimum Credit Enhancement Test, the Cumulative Net Loss Test or the Delinquency Test is not satisfied, the sum of:

- (i) 100% of Stated Principal for such Payment Date; and
- (ii) 100% of Recovery Principal for such Payment Date; or

(B) if the Minimum Credit Enhancement Test, the Cumulative Net Loss Test and the Delinquency Test are satisfied, the sum of:

- (i) the Senior Percentage of Stated Principal for such Payment Date; and
- (ii) 100% of Recovery Principal for such Payment Date.

**“Senior Reference Tranche”** means the Class A-H Reference Tranche.

**“SFA”** means the Securities and Futures Act, Chapter 289 of Singapore.

**“Similar Law”** means any foreign, United States federal, state or local law which is similar to ERISA or Section 4975 of the Code.

**“Single Family Loan-Level Dataset”** means loan-level credit performance data on a portion of fixed-rate single-family mortgage loans, including HARP loans, originated between January 1, 1999 and March 31, 2017 that is available online at [http://www.freddiemac.com/research/datasets/sf\\_loanlevel\\_dataset.html](http://www.freddiemac.com/research/datasets/sf_loanlevel_dataset.html).

**“SMMEA”** means the Secondary Mortgage Market Enhancement Act of 1984, as amended.

**“Sponsor”** means Freddie Mac.

**“Standard Modification”** means our standard modification program.

**“Stated Principal”** with respect to any Payment Date means the sum of:

(a) all monthly scheduled payments of principal due (whether with respect to the related Reporting Period or any prior Reporting Period) on the Reference Obligations in the Reference Pool and collected during the related Reporting Period, plus

(b) all partial principal prepayments on the Reference Obligations collected during the related Reporting Period, plus

(c) the aggregate UPB of all Reference Obligations that became Reference Pool Removals during the related Reporting Period, other than Credit Event Reference Obligations or any Reversed Credit Event Reference Obligations, plus

(d) negative adjustments in the UPB of all Reference Obligations as the result of loan modifications or data corrections, minus

(e) positive adjustments in the UPB of all Reference Obligations as the result of loan modifications, reinstatements into the Reference Pool of Reference Obligations that were previously removed from the Reference Pool in error, or data corrections.

In the event the amount in clause (e) above exceeds the sum of the amounts in clauses (a) through (d) above, the sum of clauses (a) through (e) above for the applicable Payment Date will be deemed to be zero, and the Class Notional Amount for the Class A-H Reference Tranche will be increased by the amount that the amount in clause (e) above exceeds the sum of the amounts in clauses (a) through (d) above. In the event that we were ever to employ a policy that permitted or required principal forgiveness as a loss mitigation alternative that would be applicable to the Reference Obligations, any principal that may be forgiven with respect to a Reference Obligation will be treated as a negative adjustment in the UPB of such Reference Obligation pursuant to clause (d) above.

**“Streamlined Accept Documentation”** means our streamlined accept procedures for mortgage loans.

**“Streamlined Modification”** means our streamlined modification program for mortgage loans that are 90 or more days delinquent.

**“Strip”** means a MAC Note that represents beneficial ownership of a disproportionate part of the principal or interest payments on an Exchangeable Note.

**“STS Securitization Regulation”** means Regulation 2017/2402 of the European Parliament and of the Council of 12 December 2017.

**“Subordinate Percentage”** with respect to any Payment Date is the percentage equal to 100% minus the Senior Percentage for such Payment Date.

**“Subordinate Reduction Amount”** with respect to any Payment Date means the sum of the Stated Principal and Recovery Principal for such Payment Date, less the Senior Reduction Amount.

**“Targeted Sample QC Review”** means the proportion of loans out of the Initial Cohort Pool that were chosen for quality control review using a targeted selection process.

**“Tax”** means any present or future tax (whether a withholding tax, excise tax or otherwise), levy, impost, duty, charge, assessment or fee of any nature (including interest, penalties and additions thereto) that is imposed by any government or other taxing authority in respect of any payment under the Credit Protection Agreement other than a stamp, registration, documentation or similar tax.

**“Tax Event”** means the occurrence of any of certain tax events that generally relate to any action taken by any taxing authority or any change in tax laws that results in either us or the Trust (such party being the Affected Party) receiving a payment under the Credit Protection Agreement from which an amount has been deducted or withheld for or on account of taxes or paying an additional amount on account of an Indemnifiable Tax.

**“Tax Event Upon Merger”** means the occurrence of any of certain tax events that generally relate to any merger or similar transaction that results in either us or the Trust (such party being the “Burdened Party”) receiving a payment under the Credit Protection Agreement from which an amount has been deducted or withheld for or on account of taxes or paying an additional amount on account of an Indemnifiable Tax.

**“Terms and Conditions”** means, collectively, the Terms and Conditions Governing Use of Euroclear and the related Operating Procedures of Euroclear and applicable Belgian law.

**“Third-Party Diligence Provider”** means a third-party diligence provider engaged by Freddie Mac to conduct the Third-Party due Diligence Review.

**“Third-Party Due Diligence Review”** means the review of certain aspects of the mortgage loans in the proposed Reference Pool conducted by the Third-Party Diligence Provider.

**“TOBs”** means terms of business.

**“Tranche Write-down Amount”** with respect to each Payment Date, means the excess, if any, of the Principal Loss Amount for such Payment Date over the Principal Recovery Amount for such Payment Date.

**“Tranche Write-up Amount”** with respect to each Payment Date, means the excess, if any, of the Principal Recovery Amount for such Payment Date over the Principal Loss Amount for such Payment Date.

**“Transaction”** means the transaction constituted by the issuance of the Notes.

**“Transaction Parties”** means Freddie Mac, each Initial Purchaser, the Indenture Trustee, the Owner Trustee (except under the heading “*Certain ERISA Considerations — Review by Plan Fiduciaries*”), the Exchange Administrator, the Administrator, the Custodian, the Investment Manager and any of their respective affiliates.

**“Treasury”** means the United States Department of the Treasury.

**“Trust”** means STACR Trust 2018-HRP1, a Delaware statutory trust.

**“Trust Agreement”** means the Amended and Restated Trust Agreement dated as of the Closing Date between the Sponsor and the Owner Trustee.

**“Trust Assets”** means (a) the Eligible Investments and the proceeds thereof, (b) the rights of the Trust under the Basic Documents, (c) the funds on deposit in the Distribution Account and Custodian Account from time to time, and (d) the payments or distributions received in respect of the Eligible Investments and the Credit Protection Agreement.

**“UCITs”** means undertakings for collective investment in transferable securities regulated pursuant to Directive (EU) 2009/65/EC and the management companies thereof.

**“Unconfirmed Servicing Defect”** means with respect to any Reference Obligation, the existence of the following, as we determine in our sole discretion:

- (a) there is a violation of the servicing guidelines and other requirements in the Guide (as modified by the terms of the related servicer’s contract, including any related TOBs); and
- (b) Freddie Mac has issued a notice of defect, repurchase letter or a repurchase alternative letter related to the servicing breach.

For the avoidance of doubt, any Reference Obligation with minor technical violations, which in each case we determine to be an acceptable Reference Obligation, may not result in an Unconfirmed Servicing Defect.

**“Unconfirmed Underwriting Defect”** means with respect to any Reference Obligation, the existence of the following, as we determine in our sole discretion: (i) there is a material violation of the underwriting guidelines and other requirements in the Guide (as modified by the terms of the related seller’s contract, including any related TOBs) with respect to such Reference Obligation, (ii) as of the origination date such Reference Obligation was secured by collateral that was inadequate or (iii) as of the origination date repayment in full on such Reference Obligation from the related mortgagor could not be expected. For the avoidance of doubt, any Reference Obligation with minor technical violations or missing documentation, which in each case we determine to be an acceptable Reference Obligation, will not result in an Unconfirmed Underwriting Defect.

**“Underwriting Defect”** means with respect to any Payment Date and any Reference Obligation for which Freddie Mac has determined the existence of an Unconfirmed Underwriting Defect, the occurrence of any of the following: (i) such Reference Obligation is repurchased by the related seller or servicer during the related Reporting Period, (ii) in lieu of repurchase, an alternative remedy (such as indemnification) is mutually agreed upon by both Freddie Mac and the related seller or servicer during the related Reporting Period, (iii) Freddie Mac in its sole discretion elects to waive the enforcement of a remedy against the seller or servicer in respect of such Unconfirmed Underwriting Defect during the related Reporting Period or (iv) the party responsible for the representations and warranties and/or servicing obligations or liabilities with respect to the Reference Obligation becomes subject to a bankruptcy, an insolvency proceeding or a receivership.

**“UPB”** with respect to any Reference Obligation or mortgage loan, the unpaid principal balance of such Reference Obligation or mortgage loan.

**“U.S. Beneficial Owner”** means a U.S. Person that beneficially owns a Note.

**“U.S. Person”** means:

- a. an individual who, for U.S. federal income tax purposes, is a citizen or resident of the United States;
- b. a corporation (or other business entity treated as a corporation for U.S. federal income tax purposes) created or organized in or under the laws of the United States, any state thereof, or the District of Columbia;
- c. an estate the income of which is subject to U.S. federal income taxation regardless of its source; or
- d. 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. Certain trusts in existence on or before August 20, 1996 that were treated as U.S. persons under the law in effect on such date but fail to qualify as U.S. persons under current law may elect to continue to be treated as U.S. persons to the extent prescribed in the applicable Regulations.

**“Volcker Rule”** means Section 619 (12 U.S.C. § 1851) of the Dodd Frank Act.

**“WAL”** or **“Weighted Average Life”** means, with respect to any Class of Notes (other than a Class of Interest Only MAC Notes), the average amount of time that will elapse from the date of issuance of such Class of Notes until its balance is reduced to zero.

**“Warrant”** means a warrant to purchase, for a nominal price, shares of our common stock equal to 79.9% of the total number of shares of our common stock outstanding on a fully diluted basis at the time the warrant is exercised.

**“Write-up Excess”** means, as of any payment Date, the amount by which the Tranche Write-up Amount on such Payment Date exceeds the Tranche Write-up Amount allocated on such Payment Date pursuant to *clauses (i) through (vi)* under *“Description of the Notes — Hypothetical Structure and Calculations with Respect to the Reference Tranches — Allocation of Tranche Write-up Amounts”*.

## Appendix A

### THE REFERENCE OBLIGATIONS

Unless otherwise noted, the statistical information presented in this Memorandum concerning the Reference Pool is based on the characteristics of the Reference Obligations as of the Cut-off Date. In addition, unless otherwise noted, references to a percentage of Reference Obligations refer to a percentage of Reference Obligations by Cut-off Date Balance.

This Appendix A generally describes some of the material characteristics of the Reference Pool. Certain loan-level information for each Reference Obligation may be accessed through Freddie Mac's website at [http://www.freddiemac.com/creditriskofferings/security\\_data.html](http://www.freddiemac.com/creditriskofferings/security_data.html).

The figures in the Memorandum may not correspond exactly to the related figures in this Appendix A due to rounding differences. Prior to the Closing Date, Reference Obligations will not be removed or substituted from the Reference Pool. We believe that the information set forth in the Memorandum and in this Appendix A is representative of the characteristics of the Reference Pool as it will be constituted as of the Closing Date.

The Reference Obligations were originated on or after July 1, 2011 through March 31, 2013.

We determined the population of the Reference Pool by selecting mortgage loans that were acquired by us between January 1, 2012 and March 31, 2013 and that met the Eligibility Criteria.

#### Selected Reference Obligation Data as of the Cut-off Date

	Range or Total	Average or Weighted Average
Number of Reference Obligations . . . . .	163,624	—
Aggregate Original Principal Balance . . . . .	\$32,879,111,000	—
Original Principal Balance . . . . .	\$27,000 to \$780,000	\$200,943
Aggregate Principal Balance . . . . .	\$29,083,383,409	—
Principal Balance . . . . .	\$5,220 to \$694,201	\$177,745
Mortgage Rate . . . . .	2.875% to 6.000%	4.247%
Remaining Term to Maturity (months) . . . . .	165 to 301	291
Original Term to Maturity (months) . . . . .	241 to 360	357
Loan Age (months) . . . . .	59 to 79	66
Original Loan-to-Value Ratio <sup>(1)</sup> . . . . .	1% to 772%	120%
Original Combined Loan-to-Value Ratio <sup>(2)</sup> . . . . .	2% to 995%	124%
Estimated Loan-to-Value Ratio <sup>(3)</sup> . . . . .	61% to 198%	75%
Original Credit Score <sup>(4)</sup> . . . . .	426 to 840	735
Updated Credit Score <sup>(5)</sup> . . . . .	448 to 844	745
Latest Maturity Date . . . . .	April 2043	—

(1) Calculated based only on those Reference Obligations that had non-zero original loan-to-value ratios.

(2) Calculated based only on those Reference Obligations that had non-zero original combined loan-to-value ratios.

(3) Calculated based only on those Reference Obligations that had non-zero Estimated Loan-to-Value ratios.

(4) Calculated based only on those Reference Obligations that had non-zero original Credit Scores for the mortgagors.

(5) Calculated based only on those Reference Obligations that had non-zero updated Credit Scores for the mortgagors.

#### Top Five Geographic Concentration of Mortgaged Properties

Florida . . . . .	13.20%
California . . . . .	12.72%
Illinois . . . . .	8.47%
Arizona . . . . .	6.31%
Maryland . . . . .	5.17%
Maximum Three-Digit Zip Code Concentration . . . . .	1.85%

The characteristics of the Reference Pool will change from time to time to reflect subsequent payments, prepayments and Credit Events with respect to the Reference Obligations. In addition, the characteristics of the Reference Pool may change after the issuance of the Notes as a result of Reference Pool Removals.

See “*Description of the Notes — Hypothetical Structure and Calculations with Respect to the Reference Tranches — Allocation of Senior Reduction Amount and Subordinate Reduction Amount*” for a description of how Reference Pool Removals affect the Notes. In the event that a Reference Obligation that was previously



removed from the Reference Pool is discovered to have been removed in error, such Reference Obligation will be reinstated into the Reference Pool. See “*Description of the Notes — Hypothetical Structure and Calculations With Respect to the Reference Tranches — Allocation of Tranche Write-up Amounts*”. See “*Mortgage Loan Purchase and Servicing — Servicing Standards*” and “*— Quality Control Process*” in this Annex A for a description of how Major Servicing Defects, Minor Servicing Defects and Underwriting Defects may be discovered through Freddie Mac’s quality control processes.

Were these changes ever to occur, they could materially alter the Reference Pool characteristics shown above and the WALs and yields to maturity of the Notes.

The Initial Cohort Pool represents the mortgage loans acquired by Freddie Mac between January 1, 2012 and March 31, 2013 that met the Eligibility Criteria. The table below summarizes the original unpaid principal balance of the mortgage loans included in the Initial Cohort Pool and mortgage loans excluded due to the Eligibility Criteria.

<u>Category</u>	<u>Aggregate Outstanding Unpaid Principal Balance (\$ Billion)</u>	
	<u>Include Payoff/Credit Events</u>	<u>Exclude Payoff/Credit Events</u>
All Relief Refinance Program loans funded between January 1, 2012 and March 31, 2013 . . . . .	155.8	96.4
Relief Refinance Program loans, fixed . . . . .	155.0	96.1
Relief Refinance Program loans, fixed 241 to 360 months term . . . . .	106.7	65.2
Relief Refinance Program loans, fixed 241 to 360 months term, 60% < ELTV <= 200% or 80% < OLTV <= 200%, as applicable & other filters . . . . .	43.8	38.4

The table below summarizes (i) the mortgage loans in the Initial Cohort Pool that were excluded from the Reference Pool due to delinquencies, payoffs, mortgagor bankruptcy filings, quality control removals and data reconciliation or corrected data removals and removals due to mortgage loans not being securitized into a PC prior to being refinanced, and (ii) the Reference Obligations in the Reference Pool, as applicable.

<u>Category</u>	<u>Number of Mortgage Loans</u>	<u>Aggregate Original Principal Balance (\$)</u>	<u>Average Original Principal Balance (\$)</u>	<u>Non-Zero Weighted Average Original Credit Score</u>	<u>Non-Zero Weighted Average Original Loan-to-Value Ratio (%)</u>
Initial Cohort Pool . . . . .	217,724	43,774,776,000	201,056	734	118
less mortgage loans that were removed due to incomplete data reconciliation or corrected data <sup>(1)</sup> . . . . .	15,831	3,162,233,000	199,749	739	104
less mortgage loans that were repurchased or removed by quality control process <sup>(2)</sup> . . . . .	341	83,671,000	245,370	729	118
less mortgage loans that were paid in full . . . . .	25,551	5,297,671,000	207,337	745	116
less mortgage loans that were removed due to having failed delinquency criteria or the borrower having filed for bankruptcy . . . . .	11,910	2,253,909,000	189,245	689	121
less mortgage loans where the original mortgage loan was not securitized into a PC prior to being refinanced . . . . .	467	98,181,000	210,238	724	113
<b>Reference Pool . . . . .</b>	<b>163,624</b>	<b>32,879,111,000</b>	<b>200,943</b>	<b>735</b>	<b>120</b>

(1) Mortgage loans removed because reconciliation with the related seller/servicers regarding certain data they provided has not yet been completed or mortgage loans removed because data corrections made the mortgage loans ineligible.

(2) Includes mortgage loans removed as a result of the findings of the Third-Party Diligence Provider, if applicable. Also includes mortgage loans repurchased by the seller/servicer as a result of their internal quality control process and/or voluntarily repurchased by the seller/servicer.

The table below summarizes the delinquency status as of February 28, 2018 of the mortgage loans that were excluded from the Reference Pool due to having been reported 30 days or more delinquent in the last 6 months, or having been reported 30 days delinquent more than once in the last 12 months:

<b>Initial Cohort Pool Total Number of Mortgage Loans</b>	<b>217,724</b>	
	<b>Number of Mortgage Loans</b>	<b>% of Initial Cohort Pool</b>
<b>Total Delinquency/Bankruptcy Removals</b> . . . . .	11,910	5.470%
<b>Mortgage Loans with Current Status</b> . . . . .	7,847	3.604%
<b>Mortgage Loans with Delinquent Status</b> . . . . .	4,063	1.866%
30-59 days delinquent . . . . .	2,152	0.988%
60-89 days delinquent . . . . .	570	0.262%
90-119 days delinquent . . . . .	425	0.195%
120-149 days delinquent . . . . .	320	0.147%
150-179 days delinquent . . . . .	356	0.164%
180 days or more delinquent . . . . .	240	0.110%

### Results of Freddie Mac Quality Control

The tables below summarize, out of the Initial Cohort Pool, the number of mortgage loans that were reviewed as part of the quality control reviews we conducted. Specifically, the tables provide, of the mortgage loans subject to our quality control review, the proportion of loans that were randomly selected, the proportion of loans that were chosen using a targeted selection process and the proportion of loans that were reviewed because they were referred to our Servicing Remedy Management team. Further, of the Random Sample QC Selection, we display the proportion of mortgage loans that were only subject to a credit review, the mortgage loans that were only subject to a review for compliance with certain laws that may result in assignee liability and for compliance with certain laws that restrict points and fees and the mortgage loans that were reviewed for both credit and compliance. See *“Risk Factors — Risks Relating to the Notes Being Linked to the Reference Pool — Our Limited Review of a Sample of a Small Percentage of the Reference Obligations May Not Reveal All Aspects Which Could Lead to Increases in the Principal Loss Amounts and Modification Loss Amounts Allocated to the Notes”*.

Of the Random Sample QC Selection, 4,808 mortgage loans (approximately 72.9% of the Random Sample QC Selection by loan count) were only subject to the Random Sample QC Credit Review, 1,666 mortgage loans (approximately 25.3% of the Random Sample QC Selection by loan count) were only subject to the Random Sample QC Compliance Review and 118 mortgage loans (approximately 1.8% of the Random Sample QC Selection by loan count) were subject to the Random Sample QC Dual Credit and Compliance Review.

The tables below summarize the random and targeted quality control reviews conducted by us, and additional loans that were referred to our Servicing Remedy Management team.

	<b>Number of Mortgage Loans</b>	<b>Percent of the Initial Cohort Pool<sup>(1)</sup></b>	<b>Number of Mortgage Loans Removed from Reference Pool after Quality Control Review<sup>(2)</sup></b>	<b>Percent of the Respective Sample<sup>(1)</sup></b>
Initial Cohort Pool . . . . .	217,724	100.0%	—	—
Random Sample QC Selection . . . . .	6,592	3.0%	—	—
Random Sample QC Credit Review . . . . .	4,808	2.2%	104	2.2%
Random Sample QC Compliance Review . . . . .	1,666	0.8%	—	0.0%
Random Sample QC Dual Credit and Compliance Review . . . . .	118	0.1%	4	3.4%
Targeted Sample QC Review . . . . .	2,700	1.2%	211	7.8%
Total Mortgage Loans Subject to Freddie Mac QC . . .	9,292	4.3%	—	—

(1) By loan count.

(2) Unconfirmed Underwriting Defects or Underwriting Defects.

	Number of Mortgage Loans	Percent of the Initial Cohort Pool <sup>(1)</sup>	Number of Mortgage Loans Removed from Reference Pool after Quality Control Review <sup>(2)</sup>	Percent of the Mortgage Loans Referred to Servicing Remedy Management <sup>(1)</sup>
Servicing Remedy Management . . . . .	247	0.1%	10	4.0%

(1) By loan count.

(2) Major or Minor Servicing Defects or Unconfirmed Servicing Defects.

As further discussed below under “— *Third-Party Due Diligence Review*”, 500 mortgage loans were randomly selected by an independent third-party diligence provider to conduct a review of certain aspects of the mortgage loans in the proposed Reference Pool.

Based on the results of our quality control reviews, the 95% confidence interval estimate of the defect rate for Relief Refinance Mortgages purchased during the annual period of 2012 is approximately 1.7% to 2.6% as of March 31, 2018. The 95% confidence interval estimate of the defect rate for Relief Refinance Mortgages purchased during the three-month period between January 1, 2013 and March 31, 2013 is approximately 0.6% to 1.4% as of March 31, 2018. Mortgage loans identified with Unconfirmed Underwriting Defects or Underwriting Defects during the quality control review are not included in the Reference Pool. The results of our quality control review for the mortgage loans purchased during the 15-month period between January 1, 2012 and March 31, 2013 are consistent with historical experience of our quality control across our portfolio. The defect rates from this time period may include instances of defects where sellers were not required to repurchase defective performing loans and therefore did not correct defects through the appeal process, which may have inflated defect rates from this period. You should make your own determination about the appropriateness and suitability of, as well as the extent to which you should rely upon, the sampling methodology described above, including the time periods, precision level and confidence interval. The characteristics of the mortgage loans acquired by us between January 1, 2012 and March 31, 2013 may differ in material respects from the mortgage loans in the Initial Cohort Pool. Additionally, the error rate is reported as of a certain date and is indicative of our initial findings, as well as input received from sellers, that have been processed through the Cut-off Date for reporting. As such, the reporting may be internally inconsistent across periods as well as other transactions we have issued, depending on the time lapse between initial findings and the date of reporting and/or the level and timeliness of response from sellers, among other factors. Accordingly, an error rate determined as of a different date may be materially different than the error rate reported in this Memorandum. You are encouraged to make their own determination as the extent to which you place reliance on the limited quality control and quality assurance processes undertaken by us and their relevance as they relate to the Initial Cohort Pool. See “*Mortgage Loan Purchase and Servicing — Quality Control Process — Limitations of the Quality Control Review Process*” in Annex A and “*Risk Factors — Risks Relating to the Notes Being Linked to the Reference Pool — Our Limited Review of a Sample of a Small Percentage of the Reference Obligations May Not Reveal All Aspects Which Could Lead to Increases in the Principal Loss Amounts and Modification Loss Amounts Allocated to the Notes*” for additional information regarding the limitations of our review.

The following is a discussion of the results of the reviews:

#### ***Random Sample QC Credit Review***

We reviewed the mortgagor’s origination documentation to verify that each mortgage loan reviewed (i) is made to a mortgagor from whom repayment of the mortgage loan can be expected, (ii) is secured by collateral that is adequate for the transaction and (iii) otherwise complies with our Guide and applicable TOBs. This review included a credit and collateral valuation component also described under “*Mortgage Loan Purchase and Servicing — Quality Control Process — Performing Loan Quality Control Review*” and “— *Credit Review*” in Annex A. None of the procedures conducted as part of our review constituted, either separately or in combination, an independent underwriting of the mortgage loans. In addition, the procedures conducted as part of the review of the collateral valuation were not re-appraisals of the mortgaged properties. To the extent that valuation tools were used as part of the appraisal review process, they should not be relied upon as providing an assessment of value of the mortgaged properties comparable to that which an appraisal might provide. They also are not an assessment of the current value of any of the mortgaged properties. Of the 4,808 mortgage loans subject to the Random Sample QC Credit Review, 104 mortgage loans (approximately 2.2% of such mortgage

loans by loan count) were found to have one or more Underwriting Defects or Unconfirmed Underwriting Defects and subsequently were removed from the Reference Pool.

The following table describes the Underwriting Defects and Unconfirmed Underwriting Defects related to the mortgage loans that were removed from the Reference Pool as a result of the Random Sample QC Credit Review.

<u>Exceptions</u>	<u>Number of Mortgage Loans</u>	<u>As a Percentage of the Selected Sample</u>
Borrower not individual . . . . .	1	0.02%
Cash back exceeds limit . . . . .	2	0.04%
Credit reputation requirements not met - Housing payment history derogatories . . . .	1	0.02%
Flood Certification requirements not met - Flood certificate Expired or Obtained after Note Date . . . . .	2	0.04%
Freddie Mac Relief Refi Home Value Explorer Requirements Not Met . . . . .	1	0.02%
Ineligible for program/offering - Borrower removed or added . . . . .	1	0.02%
Ineligible for program/offering - Financed closing costs exceed maximum allowable . . . . .	57	1.19%
Ineligible for program/offering - Other . . . . .	6	0.12%
Ineligible for program/offering - Relief Refinance not allowed . . . . .	15	0.31%
Insufficient collateral report-missing/insufficient . . . . .	1	0.02%
Loan party on exclusionary list . . . . .	1	0.02%
LP Caution ineligible . . . . .	1	0.02%
Non-compliant relief refi loan amount exceeds maximum allowable . . . . .	7	0.15%
Note requirements not met - Documentation insufficient/inade . . . . .	1	0.02%
Other Guide eligibility requirements not met - Other . . . . .	5	0.10%
Unable to calculate income - Documentation missing/insufficient . . . . .	1	0.02%
Verbal Verification of Employment Requirements Not Met-Verbal VOE Missing . . . . .	1	0.02%
<b>Total</b>	<b><u>104</u></b>	<b><u>2.16%</u></b>

#### ***Random Sample QC Compliance Review***

None of the 1,666 mortgage loans subject to the Random Sample QC Compliance Review were determined to be noncompliant due to Underwriting Defects and/or Unconfirmed Underwriting Defects.

#### ***Random Sample QC Dual Credit and Compliance Review***

Of the 118 mortgage loans subject to the Random Sample QC Dual Credit and Compliance Review, 4 mortgage loans (approximately 3.4% of such mortgage loans by loan count) were determined to be noncompliant due to Underwriting Defects and/or Unconfirmed Underwriting Defects, as applicable, and were subsequently removed from the Reference Pool.

The following table describes the Underwriting Defects and Unconfirmed Underwriting Defects related to the mortgage loans that were removed from the Reference Pool as a result of the Random Sample QC Dual Credit and Compliance Review:

<u>Exceptions</u>	<u>Number of Mortgage Loans</u>	<u>As a Percentage of the Selected Sample</u>
Ineligible for program/offering - Financed closing costs exceed maximum allowable . . . . .	4	3.39%
<b>Total</b>	<b><u>4</u></b>	<b><u>3.39%</u></b>

### ***Targeted Sample QC Review***

Of the 2,700 mortgage loans subject to the Targeted Sample QC Review, 211 mortgage loans (approximately 7.8% of such mortgage loans by loan count) were determined to be noncompliant due to Underwriting Defects and/or Unconfirmed Underwriting Defects, as applicable, and were subsequently removed from the Reference Pool.

The following table describes the Underwriting Defects and Unconfirmed Underwriting Defects related to the mortgage loans that were removed from the Reference Pool as a result of the Targeted Sample QC Review:

<b>Exceptions</b>	<b>Number of Mortgage Loans</b>	<b>As a Percentage of the Selected Sample</b>
Credit reputation requirements not met - Documentation missing/insufficient . . . . .	1	0.04%
Flood insurance requirements not met - Missing policy . . . . .	1	0.04%
Identity issue - Identity falsified . . . . .	1	0.04%
Ineligible for program/offering - Borrower removed or added . . . . .	4	0.15%
Ineligible for program/offering - Cash out not allowed . . . . .	1	0.04%
Ineligible property - Condo/condo . . . . .	2	0.07%
Ineligible for program/offering - Financed closing costs exceed maximum allowable . . . .	92	3.41%
Ineligible for program/offering - HARP loan original loan funded after 5/31/2009 . . . . .	3	0.11%
Ineligible for program/offering - Other . . . . .	3	0.11%
Ineligible for program/offering - Relief Refinance not allowed . . . . .	17	0.63%
Ineligible property - Unacceptable/illegal use/no legal access . . . . .	1	0.04%
Loan file not received . . . . .	2	0.07%
Loss of income source - Borrower not employed at closing . . . . .	6	0.22%
Manufactured Housing property requirements not met - Missing HUD certification label/ data plate . . . . .	1	0.04%
MI Company rescinded primary MI . . . . .	2	0.07%
Mortgage in default at delivery . . . . .	1	0.04%
Non-compliant Relief Refi excessive delinquency in previous 12 months . . . . .	2	0.07%
Non-compliant Relief Refi incorrect associate loan number . . . . .	1	0.04%
Non-compliant Relief Refi loan amt exceeds maximum allowable . . . . .	51	1.89%
Non-compliant Relief Refi missing/incorrect MI . . . . .	1	0.04%
Note requirements not met -Documentation insufficient/inade . . . . .	1	0.04%
Occupancy falsely represented . . . . .	2	0.07%
Other Guide eligibility requirements not met - Other . . . . .	8	0.30%
Other Guide eligibility requirements not met - Inclusionary zoning . . . . .	1	0.04%
Relief Refi excessive delinquency in previous 12 months . . . . .	2	0.07%
Relief Refi loan amt exceeds maximum allowable . . . . .	1	0.04%
Review appraisal does not support value - Comps inappropriate . . . . .	1	0.04%
Stated income requirements not met - Income source not documented. . . . .	1	0.04%
Verbal Verification of Employment Requirements not met - Documentation insufficient . . . . .	1	0.04%
<b>Total</b>	<b>211</b>	<b>7.81</b>

### ***Servicing Remedy Management***

As part of our overall single-family mortgage operations business, mortgage loans may routinely be referred to our Servicing Remedy Management team for remediation of certain servicing-related deficiencies. The Servicing Remedy Management team may recommend various remedies for servicing-related deficiencies, including, but not limited to, indemnification payments and repurchases of the related mortgage loans. Of the 247 mortgage loans referred to the Servicing Remedy Management team, 10 mortgage loans (approximately 4.0% of such mortgage loans by loan count) were determined to have Major Servicing Defects, Minor Servicing Defects and/or Unconfirmed Servicing Defects, and were subsequently removed from the Reference Pool.



The following table describes the Major Servicing Defects, Minor Servicing Defects and/or Unconfirmed Servicing Defects found by Freddie Mac's Servicing Remedy Management team related to the mortgage loans that were removed from the Reference Pool.

<b>Exceptions</b>	<b>Number of Mortgage Loans</b>	<b>As a Percentage of Mortgage Loans Referred to Servicing Remedy Management</b>
Policy Cancellation .....	10	4.05%
<b>Total</b>	<b>10</b>	<b>4.05%</b>

### ***Summary of Our Quality Control Review***

The following summarizes the results of the quality control review for the mortgage loans acquired by us during the specified periods.

<b>Acquisition Period</b>	<b>Freddie Mac Estimated Defect Rate Range<sup>(1)(2)</sup></b>
Q2-2009 .....	5.8% - 9.2%
Q3-2009 .....	0.0% - 19.2%
Q4-2009 .....	3.8% - 13.7%
Q1-2010 .....	6.8% - 15.4%
Q2-2010 .....	2.8% - 11.1%
Q3-2010 .....	2.0% - 6.0%
Q4-2010 .....	3.2% - 6.0%
Q1-2011 .....	2.4% - 4.4%
Q2-2011 .....	2.7% - 5.0%
Q3-2011 .....	2.4% - 4.2%
Q4-2011 .....	1.8% - 3.5%
Q1-2012 .....	1.9% - 4.7%
Q2-2012 .....	1.5% - 3.2%
Q3-2012 .....	1.1% - 2.3%
Q4-2012 .....	0.7% - 1.8%
Q1-2013 .....	0.6% - 1.4%

(1) Defect rates are based on defects related to Relief Refinance Program eligibility guidelines only, excluding underwriting defects from the original refinanced mortgage loans. Prior to 2012, the Freddie Mac quality control process for Relief Refinance Mortgages included review of the original refinanced mortgage loan files. Beginning in 2012, the review process was restricted to only review adherence to Relief Refinance Program eligibility guidelines.

(2) Quality control results as of March 31, 2018.

### **Third-Party Due Diligence Review**

#### ***General***

In connection with the issuance of the Notes, we engaged a third-party diligence provider to conduct a review of certain aspects of the mortgage loans in the proposed Reference Pool.

The Third-Party Diligence Provider was limited to randomly selecting the Diligence Sample from the Available Sample. We previously reviewed the Available Sample in connection with our Random Sample QC Selection described under “— *Results of Freddie Mac Quality Control*” above.

The Third-Party Diligence Provider selected 500 mortgage loans from the Available Sample, representing approximately 7.7% of the Available Sample (by loan count) and approximately 0.31% of the entire Reference Pool (by loan count). Of the Diligence Sample, certain mortgage loans were selected for a data integrity review and certain mortgage loans were selected for a compliance only review.

The table below summarizes the mortgage loans that were subject to Third-Party Due Diligence Review.

	<u>Number of Mortgage Loans</u>
Available Sample . . . . .	6,474
Data Integrity Sample . . . . .	350
Compliance Review Sample . . . . .	150
Diligence Sample (total) . . . . .	500

### ***Property Valuations***

The Third-Party Diligence Provider reviewed all 500 mortgage loans in the Diligence Sample for a Home Value Explorer (HVE) value. Of the 500 mortgage loans in the Due Diligence Sample, 100 mortgage loans did not have an HVE Value. The Third-Party Diligence Provider ordered a residential broker price opinion on the 100 mortgage loans that did not have an HVE Value. The Third-Party Diligence Provider was unable to obtain a broker price opinion on one mortgage loan of the 100 mortgage loans that did not have an HVE value (representing approximately 0.20% of the Diligence Sample by loan count) due to the property having been destroyed in a previous wildfire. This mortgage loan has been removed from the Reference Pool. A full list of the 99 mortgage loans and the broker price opinion values obtained by the Third-Party Diligence Provider is provided in [Appendix E](#). The Third-Party Diligence Provider reviewed the HVE value or obtained broker price opinion values on 499 of such mortgage loans (representing approximately 99.8% of the Diligence Sample by loan count).

It should be noted that 44 of the mortgage loans identified in [Appendix E](#) (as represented by loan identifiers designated as “N/A”) correspond to mortgage loans that are not included in the Reference Pool due to principal payments in full, delinquencies, removal as part of our quality control process and/or removal as part of the Third-Party Diligence Provider’s review process.

The values that the Third-Party Diligence Provider obtained were primarily obtained through the Third-Party Diligence Provider’s broker price opinion provider, which did not utilize interior or exterior property inspections of the properties and were not performed by certified licensed appraisers in accordance with the USPAP. Exterior inspections were performed by a licensed realtor as part of the broker price opinion process.

### ***Compliance Reviews***

The Third-Party Diligence Provider reviewed the 150 mortgage loans in the Compliance Review Sample for compliance with certain federal, state and local laws and regulations.

As noted above, as part of our quality control review, our compliance review is limited to assessing mortgage loans to determine whether the mortgage loans comply with certain laws that may result in assignee liability and for compliance with laws restricting points and fees. As our compliance review does not include examination of documents to ensure that mortgage loans comply with all laws, you should note that only mortgage loans that are identified as violating certain laws that may result in assignee liability or that restrict points and fees will be treated as having Unconfirmed Underwriting Defects. See *“Risk Factors — Risks Relating to the Notes Being Linked to the Reference Pool — Our Limited Review of a Sample of a Small Percentage of the Reference Obligations May Not Reveal All Aspects Which Could Lead to Increases in the Principal Loss Amounts and Modification Loss Amounts Allocated to the Notes”*.

None of the 150 mortgage loans subject to a Compliance Review was determined to be non-compliant.

### ***Data Integrity Review***

We prepared a mortgage loan data tape that included certain characteristics of the mortgage loans. That data tape, including any adjustments we made, was used to generate the statistical information regarding the Reference Obligations included in this Memorandum. Results from the Third-Party Diligence Provider’s data integrity review were formatted by us to conform with our data standards.

A comparison of certain fields on the data tape was performed by the Third-Party Diligence Provider with respect to the 350 mortgage loans in the Data Integrity Sample. A comparison was performed with respect to 15 mortgage loan characteristics (not including loan identifier): Credit Score, first payment date, loan purpose, maturity date, number of mortgagors, number of units, occupancy status, original unpaid principal balance, original interest rate, property type, property state, amortization type, postal code, prepayment penalty indicator and original loan term.

With respect to 6 mortgage loans, representing approximately 1.7% of the 350 mortgage loans in the Data Integrity Sample (by loan count), 8 discrepancies, representing approximately 0.15% of the total fields reviewed, with respect to the reviewed characteristics, were identified by the Third-Party Diligence Provider. A full list of these 8 discrepancies is in Appendix B. It should be noted that 4 of the discrepancies identified in Appendix B (as represented by loan identifiers designated as “N/A”) correspond to 3 mortgage loans that are not included in the Reference Pool due to principal payments in full, delinquencies, removal as part of our quality control process and/or removal as part of the Third-Party Diligence Provider’s review process.

Other than the mortgage loans described above that were previously removed through the quality control process, we have determined that none of the data discrepancies result in an Unconfirmed Underwriting Defect or a violation of the Eligibility Criteria. Further, you should note that we did not update the mortgage loan data tape to reflect these discrepancies (except that the mortgage loans previously removed are not reflected on the mortgage loan data tape). As a result, the numerical disclosure in this Memorandum does not reflect any of these discrepancies with respect to the related Reference Obligations. In our sole discretion, after the Closing Date we may determine to reconcile with the sellers certain of the discrepancies identified by the Third-Party Diligence Provider. To the extent we verify any of these discrepancies, we expect to update the monthly loan-level information with respect to the Reference Pool that is made available to Noteholders.

The following table summarizes the 4 discrepancies identified by the Third-Party Diligence Provider relative to our data tape, as listed in Appendix B.

	Number of Loans with Discrepancies	Percentage of Third-Party Diligence Provider Sample	Average of Freddie Mac Data	Average of Third-Party Diligence Provider Data
Property Type . . . . .	3	0.86%	N/A	N/A
Maturity Date . . . . .	2	0.57%	N/A	N/A
First Payment Date . . . . .	2	0.57%	N/A	N/A
Postal Code . . . . .	1	0.29%	N/A	N/A

### **Limitations of the Third-Party Diligence Provider’s Review Process**

As noted under the risk factor captioned “*Risk Factors — Risks Relating to the Notes Being Linked to the Reference Pool — Limited Scope and Size of the Third-Party Diligence Provider’s Review of the Reference Obligations May Not Reveal Aspects of the Reference Obligations Which Could Lead to Credit Events or Modification Events*”, there can be no assurance that the review conducted by the Third-Party Diligence Provider uncovered all relevant factors relating to the origination of the Reference Obligations, their compliance with applicable laws and regulations or uncovered all relevant factors that could affect the future performance of the Reference Obligations. The review was performed on a small sample that did not include all of the Reference Obligations in the Reference Pool and the Reference Obligations that were included in the review may have characteristics that were not discovered, noted or analyzed as part of the Third-Party Diligence Provider’s review that could, nonetheless, result in those Reference Obligations failing to perform in the future.

You are advised that the aforementioned review procedures carried out by the Third-Party Diligence Provider were performed for the benefit of us. The Third-Party Diligence Provider makes no representation and provides no advice to you or any future investor concerning the suitability of any transaction or investment strategy. The Third-Party Diligence Provider performed only the review procedures described herein and is not responsible for any decision to include any mortgage loans in the Reference Pool.

You are encouraged to make your own determination as the extent to which you place reliance on the limited loan review procedures carried out as part of this review.

## The Reference Pool as of the Cut-off Date

### Amortization Type of the Reference Obligations

Amortization Type	Number of Reference Obligations	Aggregate Principal Balance (\$)	Aggregate Principal Balance (%)*	Average Principal Balance (\$)	Weighted Average Mortgage Rate (%)	Non-Zero Weighted Average Original Credit Score	Non-Zero Weighted Average Updated Credit Score	Non-Zero Weighted Average Original Loan-to-Value Ratio (%)	Non-Zero Weighted Average Original Combined Loan-to-Value Ratio (%)	Non-Zero Weighted Average Estimated Loan-to-Value Ratio (%)
Fixed Rate	163,624	29,083,383,409.01	100.00	177,745.22	4.247	735	745	120	124	75
<b>Total/Weighted Average:</b>	<b>163,624</b>	<b>29,083,383,409.01</b>	<b>100.00</b>	<b>177,745.22</b>	<b>4.247</b>	<b>735</b>	<b>745</b>	<b>120</b>	<b>124</b>	<b>75</b>

### Principal Balance of the Reference Obligations at Origination

Range of Original Principal Balances (\$)	Number of Reference Obligations	Aggregate Principal Balance (\$)	Aggregate Principal Balance (%)*	Average Principal Balance (\$)	Weighted Average Mortgage Rate (%)	Non-Zero Weighted Average Original Credit Score	Non-Zero Weighted Average Updated Credit Score	Non-Zero Weighted Average Original Loan-to-Value Ratio (%)	Non-Zero Weighted Average Original Combined Loan-to-Value Ratio (%)	Non-Zero Weighted Average Estimated Loan-to-Value Ratio (%)
25,000.01 to 50,000.00	574	22,812,487.85	0.08	39,743.01	4.462	731	738	100	103	75
50,000.01 to 75,000.00	4,903	283,898,648.81	0.98	57,903.05	4.355	728	740	105	108	76
75,000.01 to 100,000.00	12,121	954,454,840.55	3.28	78,743.90	4.283	730	743	113	117	76
100,000.01 to 125,000.00	17,493	1,751,458,312.56	6.02	100,123.38	4.273	733	745	117	121	75
125,000.01 to 150,000.00	19,428	2,366,719,823.14	8.14	121,820.04	4.258	734	746	120	124	75
150,000.01 to 200,000.00	36,642	5,661,992,199.60	19.47	154,521.92	4.254	735	747	121	125	75
200,000.01 to 250,000.00	28,090	5,574,181,133.61	19.17	198,440.05	4.248	735	745	122	126	75
250,000.01 to 300,000.00	20,135	4,885,479,644.97	16.80	242,636.19	4.240	735	745	121	126	75
300,000.01 to 350,000.00	12,899	3,691,960,194.59	12.69	286,220.65	4.228	736	745	121	126	75
350,000.01 to 400,000.00	9,173	3,057,014,785.09	10.51	333,262.27	4.213	735	745	118	123	75
400,000.01 to 450,000.00	1,724	631,399,388.61	2.17	366,240.94	4.263	730	743	118	125	75
450,000.01 to 500,000.00	223	93,553,328.70	0.32	419,521.65	4.300	744	748	110	112	72
500,000.01 to 550,000.00	117	54,120,725.47	0.19	462,570.30	4.330	740	758	105	107	71
550,000.01 to 600,000.00	72	36,871,211.26	0.13	512,100.16	4.308	747	744	110	111	70
600,000.01 to 650,000.00	18	9,826,565.79	0.03	545,920.32	4.410	731	743	99	101	74
650,000.01 to 700,000.00	5	2,955,999.17	0.01	591,199.83	4.424	755	756	97	97	65
700,000.01 to 750,000.00	3	1,954,940.81	0.01	651,646.94	4.624	784	782	90	90	N/A
750,000.01 to 800,000.00	4	2,729,178.43	0.01	682,294.61	4.435	739	765	97	99	N/A
<b>Total/Weighted Average:</b>	<b>163,624</b>	<b>29,083,383,409.01</b>	<b>100.00</b>	<b>177,745.22</b>	<b>4.247</b>	<b>735</b>	<b>745</b>	<b>120</b>	<b>124</b>	<b>75</b>

The average principal balance of the Reference Obligations at origination was approximately \$200,943.08.

### Principal Balance of the Reference Obligations

Range of Principal Balances (\$)	Number of Reference Obligations	Aggregate Principal Balance (\$)	Aggregate Principal Balance (%)*	Average Principal Balance (\$)	Weighted Average Mortgage Rate (%)	Non-Zero Weighted Average Original Credit Score	Non-Zero Weighted Average Updated Credit Score	Non-Zero Weighted Average Original Loan-to-Value Ratio (%)	Non-Zero Weighted Average Original Combined Loan-to-Value Ratio (%)	Non-Zero Weighted Average Estimated Loan-to-Value Ratio (%)
0.01 to 25,000.00	39	648,359.97	0.00	16,624.61	4.387	751	766	112	114	66
25,000.01 to 50,000.00	1,343	58,235,824.73	0.20	43,362.49	4.411	732	745	102	104	76
50,000.01 to 75,000.00	8,100	524,557,808.56	1.80	64,760.22	4.312	730	742	109	112	76
75,000.01 to 100,000.00	16,868	1,490,744,261.15	5.13	88,377.06	4.276	733	746	115	119	75
100,000.01 to 125,000.00	21,370	2,408,370,917.87	8.28	112,698.69	4.264	734	746	118	122	75
125,000.01 to 150,000.00	21,578	2,965,234,373.30	10.20	137,419.33	4.251	734	746	120	125	75
150,000.01 to 200,000.00	37,211	6,462,886,904.01	22.22	173,682.16	4.252	736	747	121	125	75
200,000.01 to 250,000.00	26,227	5,858,773,123.00	20.14	223,387.09	4.241	734	744	121	126	75
250,000.01 to 300,000.00	17,111	4,668,993,446.39	16.05	272,865.03	4.236	735	744	121	126	75
300,000.01 to 350,000.00	10,090	3,270,352,482.48	11.24	324,118.18	4.218	735	745	120	125	75
350,000.01 to 400,000.00	3,246	1,172,453,995.57	4.03	361,199.63	4.248	730	741	117	123	75
400,000.01 to 450,000.00	242	102,522,435.67	0.35	423,646.43	4.308	741	747	111	112	73
450,000.01 to 500,000.00	114	53,660,726.18	0.18	470,708.12	4.356	744	759	107	109	71
500,000.01 to 550,000.00	66	34,375,132.84	0.12	520,835.35	4.296	739	740	106	108	71
550,000.01 to 600,000.00	11	6,270,151.21	0.02	570,013.75	4.465	748	746	99	101	69
600,000.01 to 650,000.00	2	1,260,487.11	0.00	630,243.56	4.566	758	784	100	100	N/A
650,000.01 to 700,000.00	6	4,042,978.97	0.01	673,829.83	4.476	760	770	93	95	N/A
<b>Total/Weighted Average:</b>	<b>163,624</b>	<b>29,083,383,409.01</b>	<b>100.00</b>	<b>177,745.22</b>	<b>4.247</b>	<b>735</b>	<b>745</b>	<b>120</b>	<b>124</b>	<b>75</b>

The average principal balance of the Reference Obligations as of the Cut-off Date was approximately \$177,745.22.

\* Amounts may not add up to the totals shown due to rounding.

### Mortgage Rate of the Reference Obligations

Range of Mortgage Rates (%)	Number of Reference Obligations	Aggregate Principal Balance (\$)	Aggregate Principal Balance (%)*	Average Principal Balance (\$)	Weighted Average Mortgage Rate (%)	Non-Zero Weighted Average Original Credit Score	Non-Zero Weighted Average Updated Credit Score	Non-Zero Weighted Average Original Loan-to-Value Ratio (%)	Non-Zero Weighted Average Original Combined Loan-to-Value Ratio (%)	Non-Zero Weighted Average Estimated Loan-to-Value Ratio (%)
2.875 to 2.999	7	956,185.54	0.00	136,597.93	2.875	777	778	102	104	70
3.000 to 3.124	27	3,176,350.38	0.01	117,642.61	3.004	735	734	89	93	72
3.125 to 3.249	84	12,333,726.73	0.04	146,830.08	3.129	751	757	95	98	71
3.250 to 3.374	340	52,552,122.16	0.18	154,565.07	3.257	745	759	98	103	72
3.375 to 3.499	1,087	185,161,998.58	0.64	170,342.23	3.386	746	752	100	103	72
3.500 to 3.624	2,802	510,939,411.47	1.76	182,348.11	3.506	749	756	103	107	71
3.625 to 3.749	5,326	973,120,185.21	3.35	182,711.26	3.628	745	753	104	108	71
3.750 to 3.874	9,976	1,791,978,895.94	6.16	179,629.00	3.752	742	750	108	112	73
3.875 to 3.999	17,035	3,042,783,898.12	10.46	178,619.54	3.903	740	749	109	113	73
4.000 to 4.124	15,059	2,751,666,617.95	9.46	182,725.72	4.005	737	748	112	117	74
4.125 to 4.249	19,852	3,643,951,838.69	12.53	183,555.91	4.126	732	743	118	124	75
4.250 to 4.374	22,378	4,028,527,843.43	13.85	180,021.80	4.250	732	744	123	128	76
4.375 to 4.499	17,568	3,121,610,277.04	10.73	187,687.29	4.376	731	743	123	128	76
4.500 to 4.624	18,614	3,293,119,910.41	11.32	176,916.29	4.500	731	743	126	130	77
4.625 to 4.749	12,960	2,253,202,496.12	7.75	173,858.22	4.625	733	744	130	135	77
4.750 to 4.874	9,556	1,607,335,025.40	5.53	168,201.66	4.751	732	743	132	136	78
4.875 to 4.999	6,069	1,019,952,451.50	3.51	168,059.39	4.882	732	742	131	136	78
5.000 to 5.124	2,071	341,608,595.96	1.17	164,948.62	5.000	729	739	135	139	78
5.125 to 5.249	1,168	191,324,015.80	0.66	163,804.81	5.125	730	743	138	143	80
5.250 to 5.374	1,103	177,253,090.61	0.61	160,700.90	5.250	729	740	143	147	79
5.375 to 5.499	369	55,979,682.50	0.19	151,706.46	5.376	729	742	131	135	79
5.500 to 5.624	110	16,207,616.70	0.06	147,341.97	5.500	727	741	127	130	85
5.625 to 5.749	35	4,378,021.18	0.02	125,086.32	5.625	727	744	134	136	82
5.750 to 5.874	21	3,298,307.80	0.01	157,062.28	5.750	713	729	147	152	85
5.875 to 5.999	6	769,572.61	0.00	128,262.10	5.875	668	708	146	146	89
6.000 to 6.124	1	195,271.18	0.00	195,271.18	6.000	695	761	118	118	95
<b>Total/Weighted Average:</b>	<b>163,624</b>	<b>29,083,383,409.01</b>	<b>100.00</b>	<b>177,745.22</b>	<b>4.247</b>	<b>735</b>	<b>745</b>	<b>120</b>	<b>124</b>	<b>75</b>

The weighted average mortgage rate of the Reference Obligations as of the Cut-off Date was approximately 4.247%.

### Loan Age of the Reference Obligations

Range of Loan Ages (months)	Number of Reference Obligations	Aggregate Principal Balance (\$)	Aggregate Principal Balance (%)*	Average Principal Balance (\$)	Weighted Average Mortgage Rate (%)	Non-Zero Weighted Average Original Credit Score	Non-Zero Weighted Average Updated Credit Score	Non-Zero Weighted Average Original Loan-to-Value Ratio (%)	Non-Zero Weighted Average Original Combined Loan-to-Value Ratio (%)	Non-Zero Weighted Average Estimated Loan-to-Value Ratio (%)
40 to 59	1,810	327,794,191.98	1.13	181,101.76	4.038	729	742	118	123	76
60 to 79	161,814	28,755,589,217.03	98.87	177,707.67	4.250	735	745	120	124	75
<b>Total/Weighted Average:</b>	<b>163,624</b>	<b>29,083,383,409.01</b>	<b>100.00</b>	<b>177,745.22</b>	<b>4.247</b>	<b>735</b>	<b>745</b>	<b>120</b>	<b>124</b>	<b>75</b>

The weighted average loan age of the Reference Obligations as of the Cut-off Date was approximately 66 months.

\* Amounts may not add up to the totals shown due to rounding.



## Loan-to-Value Ratio of the Reference Obligations at Origination

Range of Original Loan-to-Value Ratios (%)	Number of Reference Obligations	Aggregate Principal Balance (\$)	Aggregate Principal Balance (%)*	Average Principal Balance (\$)	Weighted Average Mortgage Rate (%)	Non-Zero Weighted Average Original Credit Score	Non-Zero Weighted Average Updated Credit Score	Non-Zero Weighted Average Original Loan-to-Value Ratio (%)	Non-Zero Weighted Average Original Combined Loan-to-Value Ratio (%)	Non-Zero Weighted Average Estimated Loan-to-Value Ratio (%)
Not Available	1	46,921.58	0.00	46,921.58	4.500	711	605	N/A	N/A	91
1 to 5	1	69,107.74	0.00	69,107.74	4.125	662	700	1	2	67
6 to 10	3	909,431.68	0.00	303,143.89	4.008	727	742	10	10	72
21 to 25	1	89,203.43	0.00	89,203.43	4.000	704	640	23	23	69
26 to 30	1	91,200.15	0.00	91,200.15	4.125	707	751	29	29	62
31 to 35	2	94,083.13	0.00	47,041.57	4.313	682	702	34	34	70
36 to 40	1	94,665.48	0.00	94,665.48	4.000	791	782	38	43	68
41 to 45	1	272,256.08	0.00	272,256.08	4.000	774	712	45	88	101
46 to 50	13	2,264,802.38	0.01	174,215.57	3.873	757	778	48	57	88
51 to 55	10	1,906,286.12	0.01	190,628.61	4.041	782	783	53	56	81
56 to 60	53	7,660,332.72	0.03	144,534.58	4.093	729	735	59	66	67
61 to 65	161	23,022,938.84	0.08	142,999.62	4.093	741	743	64	71	67
66 to 70	539	72,870,517.72	0.25	135,195.77	4.117	730	743	68	74	66
71 to 75	1,543	225,418,557.74	0.78	146,091.09	4.097	738	744	73	79	66
76 to 80	3,364	515,052,142.05	1.77	153,107.06	4.110	738	744	78	84	67
81 to 85	9,329	1,521,918,425.73	5.23	163,138.43	4.103	737	747	83	88	67
86 to 90	12,396	2,093,715,202.04	7.20	168,902.48	4.099	737	747	88	93	69
91 to 95	14,078	2,439,504,596.11	8.39	173,284.88	4.122	736	746	93	98	70
96 to 100	13,618	2,377,021,557.87	8.17	174,549.97	4.165	733	745	98	103	72
101 to 105	14,238	2,546,205,672.57	8.75	178,831.69	4.181	735	745	103	107	74
106 to 110	10,965	1,952,395,524.80	6.71	178,057.05	4.244	732	742	108	113	75
111 to 115	10,532	1,897,012,786.61	6.52	180,118.95	4.255	732	743	113	117	76
116 to 120	9,931	1,828,307,881.00	6.29	184,101.09	4.263	735	745	118	122	77
121 to 125	9,901	1,829,708,439.33	6.29	184,800.37	4.282	735	746	123	128	78
126 to 130	6,304	1,160,851,038.79	3.99	184,145.15	4.312	733	744	128	133	78
131 to 135	6,265	1,160,918,242.70	3.99	185,302.19	4.326	734	745	133	138	78
136 to 140	5,531	1,041,370,737.66	3.58	188,278.93	4.352	735	746	138	142	78
141 to 145	5,036	940,067,989.86	3.23	186,669.58	4.353	735	746	143	147	79
146 to 150	4,552	852,157,404.73	2.93	187,205.05	4.365	735	745	148	152	80
151 to 155	3,800	703,646,073.77	2.42	185,170.02	4.388	733	745	153	157	80
156 to 160	3,412	636,424,134.27	2.19	186,525.24	4.393	733	746	158	162	80
161 to 165	2,904	534,535,090.81	1.84	184,068.56	4.397	736	748	163	168	80
166 to 170	2,583	473,844,273.46	1.63	183,447.26	4.391	734	746	168	172	81
171 to 175	2,154	392,630,683.12	1.35	182,279.80	4.405	734	746	173	178	81
176 to 180	1,843	337,119,649.85	1.16	182,918.96	4.413	733	746	178	182	82
181 to 185	1,507	272,119,645.02	0.94	180,570.43	4.422	738	746	183	188	81
186 to 190	1,354	240,019,290.69	0.83	177,266.83	4.432	737	748	188	193	83
191 to 195	1,152	207,346,316.60	0.71	179,988.12	4.429	736	745	193	197	83
196 to 200	974	170,560,484.91	0.59	175,113.43	4.428	736	750	198	203	84
201 and Greater	3,571	624,119,819.87	2.15	174,774.52	4.448	733	745	231	236	89
<b>Total/Weighted Average:</b>	<b>163,624</b>	<b>29,083,383,409.01</b>	<b>100.00</b>	<b>177,745.22</b>	<b>4.247</b>	<b>735</b>	<b>745</b>	<b>120</b>	<b>124</b>	<b>75</b>

The non-zero weighted average loan-to-value ratio of the Reference Obligations at origination was approximately 120%.

\* Amounts may not add up to the totals shown due to rounding.

## Combined Loan-to-Value Ratio of the Reference Obligations at Origination

Range of Original Combined Loan-to-Value Ratios (%)	Number of Reference Obligations	Aggregate Principal Balance (\$)	Aggregate Principal Balance (%)*	Average Principal Balance (\$)	Weighted Average Mortgage Rate (%)	Non-Zero Weighted Average Original Credit Score	Non-Zero Weighted Average Updated Credit Score	Non-Zero Weighted Average Original Loan-to-Value Ratio (%)	Non-Zero Weighted Average Original Combined Loan-to-Value Ratio (%)	Non-Zero Weighted Average Estimated Loan-to-Value Ratio (%)
Not Available	1	46,921.58	0.00	46,921.58	4.500	711	605	N/A	N/A	91
1 to 5	1	69,107.74	0.00	69,107.74	4.125	662	700	1	2	67
6 to 10	3	909,431.68	0.00	303,143.89	4.008	727	742	10	10	72
21 to 25	1	89,203.43	0.00	89,203.43	4.000	704	640	23	23	69
26 to 30	1	91,200.15	0.00	91,200.15	4.125	707	751	29	29	62
31 to 35	2	94,083.13	0.00	47,041.57	4.313	682	702	34	34	70
41 to 45	1	94,665.48	0.00	94,665.48	4.000	791	782	38	43	68
46 to 50	10	1,734,215.26	0.01	173,421.53	3.894	759	781	48	48	95
51 to 55	8	1,308,542.74	0.00	163,567.84	4.024	778	799	53	53	72
56 to 60	42	6,080,472.10	0.02	144,773.15	4.049	732	737	59	59	68
61 to 65	106	14,061,026.54	0.05	132,651.19	4.116	752	752	63	63	67
66 to 70	388	50,604,345.44	0.17	130,423.57	4.084	736	750	68	69	66
71 to 75	1,129	157,698,407.74	0.54	139,679.72	4.061	745	750	73	73	66
76 to 80	2,541	374,611,966.62	1.29	147,426.98	4.082	743	751	78	78	67
81 to 85	7,126	1,131,610,207.35	3.89	158,800.20	4.094	741	751	83	83	67
86 to 90	9,880	1,636,337,771.01	5.63	165,621.23	4.087	740	751	87	88	69
91 to 95	12,031	2,044,809,512.30	7.03	169,961.72	4.108	739	748	92	93	70
96 to 100	12,289	2,112,913,164.51	7.27	171,935.32	4.159	735	746	96	98	72
101 to 105	13,488	2,378,334,911.77	8.18	176,329.69	4.174	736	746	101	103	73
106 to 110	11,215	1,991,634,371.89	6.85	177,586.66	4.220	731	743	104	108	74
111 to 115	11,156	2,010,730,820.48	6.91	180,237.61	4.236	733	743	109	113	75
116 to 120	10,531	1,931,814,659.69	6.64	183,440.76	4.248	734	744	114	118	76
121 to 125	10,447	1,923,876,701.82	6.62	184,155.90	4.269	735	745	119	123	77
126 to 130	7,142	1,317,599,035.30	4.53	184,486.00	4.295	731	743	122	128	77
131 to 135	6,995	1,300,942,530.42	4.47	185,981.78	4.308	732	743	127	133	77
136 to 140	6,201	1,172,111,145.00	4.03	189,019.70	4.326	733	745	132	138	78
141 to 145	5,628	1,053,810,278.07	3.62	187,244.19	4.335	733	744	137	143	78
146 to 150	5,182	967,719,534.31	3.33	186,746.34	4.345	733	744	142	148	79
151 to 155	4,336	804,868,298.73	2.77	185,624.61	4.369	731	743	146	153	79
156 to 160	3,864	723,678,335.33	2.49	187,287.35	4.377	732	744	151	158	79
161 to 165	3,317	614,827,188.90	2.11	185,356.40	4.379	734	747	156	163	80
166 to 170	2,908	540,729,846.29	1.86	185,945.61	4.383	733	743	161	168	80
171 to 175	2,494	455,501,298.59	1.57	182,638.85	4.378	732	743	165	173	80
176 to 180	2,134	390,963,823.38	1.34	183,207.04	4.393	732	743	170	178	81
181 to 185	1,776	325,480,170.63	1.12	183,265.86	4.406	735	745	174	183	80
186 to 190	1,598	288,137,921.61	0.99	180,311.59	4.414	735	744	179	188	82
191 to 195	1,363	246,573,214.66	0.85	180,904.78	4.416	736	744	184	193	82
196 to 200	1,198	214,060,845.32	0.74	178,681.84	4.418	734	748	187	198	82
201 and Greater	5,091	896,824,232.02	3.08	176,158.76	4.422	731	742	214	232	86
<b>Total/Weighted Average:</b>	<b>163,624</b>	<b>29,083,383,409.01</b>	<b>100.00</b>	<b>177,745.22</b>	<b>4.247</b>	<b>735</b>	<b>745</b>	<b>120</b>	<b>124</b>	<b>75</b>

The non-zero weighted average combined loan-to-value ratio of the Reference Obligations at origination was approximately 124%.

\* Amounts may not add up to the totals shown due to rounding.

### Estimated Loan-to-Value Ratio of the Reference Obligations

Range of Estimated Loan-to-Value Ratios (%)	Number of Reference Obligations	Aggregate Principal Balance (\$)	Aggregate Principal Balance (%)*	Average Principal Balance (\$)	Weighted Average Mortgage Rate (%)	Non-Zero Weighted Average Original Credit Score	Non-Zero Weighted Average Updated Credit Score	Non-Zero Weighted Average Original Loan-to-Value Ratio (%)	Non-Zero Weighted Average Original Combined Loan-to-Value Ratio (%)	Non-Zero Weighted Average Estimated Loan-to-Value Ratio (%)
Not Available	39,488	6,580,030,969.54	22.62	166,633.69	4.289	740	752	122	127	N/A
61 to 65	27,902	4,914,928,330.56	16.90	176,149.68	4.169	738	748	105	110	63
66 to 70	25,879	4,677,896,074.02	16.08	180,760.31	4.192	735	745	111	116	68
71 to 75	21,435	3,956,920,104.09	13.61	184,600.89	4.225	733	743	117	122	73
76 to 80	16,327	3,025,365,486.66	10.40	185,298.31	4.252	732	741	123	128	78
81 to 85	11,543	2,149,682,118.11	7.39	186,232.53	4.294	729	740	129	133	83
86 to 90	7,767	1,435,862,659.21	4.94	184,867.09	4.318	728	740	134	138	88
91 to 95	4,966	913,671,612.33	3.14	183,985.42	4.324	728	738	138	141	93
96 to 100	3,099	562,950,633.18	1.94	181,655.58	4.352	727	736	143	146	98
101 to 105	1,867	327,158,553.94	1.12	175,232.22	4.372	726	738	149	151	103
106 to 110	1,201	208,510,530.27	0.72	173,614.10	4.362	723	738	150	153	108
111 to 115	684	112,616,273.06	0.39	164,643.67	4.389	726	740	157	158	113
116 to 120	431	68,801,022.73	0.24	159,631.14	4.344	724	738	157	159	118
121 to 125	294	47,282,339.80	0.16	160,824.29	4.369	716	731	166	168	123
126 to 130	177	26,357,385.78	0.09	148,911.78	4.434	719	734	167	171	128
131 to 135	146	21,551,830.14	0.07	147,615.27	4.396	726	734	175	179	133
136 to 140	96	12,043,565.72	0.04	125,453.81	4.411	730	744	175	177	138
141 to 145	75	10,846,541.76	0.04	144,620.56	4.361	710	740	169	172	143
146 to 150	48	6,640,533.33	0.02	138,344.44	4.314	717	742	189	190	148
151 to 155	48	6,142,138.88	0.02	127,961.23	4.343	721	744	175	181	153
156 to 160	38	4,346,290.79	0.01	114,376.07	4.434	715	723	216	218	158
161 to 165	33	3,628,803.50	0.01	109,963.74	4.469	713	730	219	230	163
166 to 170	23	2,892,417.83	0.01	125,757.30	4.318	739	761	201	213	168
171 to 175	16	2,240,219.80	0.01	140,013.74	4.490	684	720	185	197	172
176 to 180	17	1,504,583.52	0.01	88,504.91	4.552	703	701	257	263	178
181 to 185	14	2,251,681.52	0.01	160,834.39	4.386	716	743	170	173	183
186 to 190	5	551,385.93	0.00	110,277.19	4.361	769	777	138	138	187
191 to 195	4	633,154.52	0.00	158,288.63	5.035	754	767	178	178	193
196 to 200	1	76,168.49	0.00	76,168.49	5.375	784	740	187	187	198
<b>Total/Weighted Average:</b>	<b>163,624</b>	<b>29,083,383,409.01</b>	<b>100.00</b>	<b>177,745.22</b>	<b>4.247</b>	<b>735</b>	<b>745</b>	<b>120</b>	<b>124</b>	<b>75</b>

The non-zero weighted average estimated loan-to-value ratio of the Reference Obligations was approximately 75%.

### Credit Score of the Mortgagors of the Reference Obligations at Origination

Range of Original Credit Scores	Number of Reference Obligations	Aggregate Principal Balance (\$)	Aggregate Principal Balance (%)*	Average Principal Balance (\$)	Weighted Average Mortgage Rate (%)	Non-Zero Weighted Average Original Credit Score	Non-Zero Weighted Average Updated Credit Score	Non-Zero Weighted Average Original Loan-to-Value Ratio (%)	Non-Zero Weighted Average Original Combined Loan-to-Value Ratio (%)	Non-Zero Weighted Average Estimated Loan-to-Value Ratio (%)
Not Available	13	2,012,589.55	0.01	154,814.58	4.131	N/A	735	102	105	73
420 to 439	1	197,443.26	0.00	197,443.26	4.500	426	596	101	101	66
440 to 459	8	1,221,689.45	0.00	152,711.18	4.281	451	624	119	121	78
460 to 479	33	5,901,506.97	0.02	178,833.54	4.275	472	620	125	133	74
480 to 499	126	20,843,483.35	0.07	165,424.47	4.344	491	612	120	123	78
500 to 519	291	46,123,598.92	0.16	158,500.34	4.334	511	629	121	126	77
520 to 539	577	98,389,186.02	0.34	170,518.52	4.320	531	641	121	127	76
540 to 559	817	136,119,165.93	0.47	166,608.53	4.312	550	650	122	127	76
560 to 579	1,201	201,967,089.47	0.69	168,165.77	4.296	570	655	120	125	76
580 to 599	1,647	283,648,311.28	0.98	172,221.20	4.317	590	666	120	126	76
600 to 619	2,440	414,058,197.20	1.42	169,695.98	4.304	610	673	121	127	77
620 to 639	4,107	700,029,023.44	2.41	170,447.78	4.280	630	681	120	125	76
640 to 659	6,905	1,186,533,914.15	4.08	171,836.92	4.282	650	690	119	125	77
660 to 679	10,085	1,759,719,291.11	6.05	174,488.77	4.283	670	703	120	126	76
680 to 699	13,620	2,425,835,511.88	8.34	178,108.33	4.279	690	719	120	126	76
700 to 719	16,154	2,933,426,098.58	10.09	181,591.31	4.264	709	731	121	126	76
720 to 739	18,115	3,333,595,604.82	11.46	184,024.05	4.242	730	740	120	125	76
740 to 759	20,447	3,708,070,402.17	12.75	181,350.34	4.232	750	752	120	125	75
760 to 779	24,083	4,332,275,809.13	14.90	179,889.37	4.230	770	766	120	124	75
780 to 799	25,756	4,603,063,089.92	15.83	178,718.09	4.226	789	780	119	123	74
800 to 819	16,434	2,771,005,314.46	9.53	168,614.17	4.217	807	792	119	122	74
820 to 839	761	119,119,803.38	0.41	156,530.62	4.266	822	808	119	119	72
840 to 859	3	227,284.57	0.00	75,761.52	4.767	840	793	114	114	89
<b>Total/Weighted Average:</b>	<b>163,624</b>	<b>29,083,383,409.01</b>	<b>100.00</b>	<b>177,745.22</b>	<b>4.247</b>	<b>735</b>	<b>745</b>	<b>120</b>	<b>124</b>	<b>75</b>

The non-zero weighted average Credit Score of the mortgagors of the Reference Obligations at origination was approximately 735.

\* Amounts may not add up to the totals shown due to rounding.

## Updated Credit Score of the Mortgagors of the Reference Obligations

Range of Updated Credit Scores	Number of Reference Obligations	Aggregate Principal Balance (\$)	Aggregate Principal Balance (%)*	Average Principal Balance (\$)	Weighted Average Mortgage Rate (%)	Non-Zero Weighted Average Original Credit Score	Non-Zero Weighted Average Updated Credit Score	Non-Zero Weighted Average Original Loan-to-Value Ratio (%)	Non-Zero Weighted Average Original Combined Loan-to-Value Ratio (%)	Non-Zero Weighted Average Estimated Loan-to-Value Ratio (%)
Not Available	1,746	291,989,689.08	1.00	167,233.50	4.378	739	N/A	121	127	74
440 to 459	6	1,093,785.98	0.00	182,297.66	4.307	660	452	109	118	79
460 to 479	53	8,463,450.28	0.03	159,687.74	4.391	632	473	125	132	79
480 to 499	164	28,290,160.28	0.10	172,500.98	4.300	652	491	118	126	77
500 to 519	446	75,390,204.18	0.26	169,036.33	4.302	659	511	122	127	78
520 to 539	777	132,305,484.33	0.45	170,277.33	4.278	661	530	119	125	77
540 to 559	997	167,347,028.89	0.58	167,850.58	4.271	661	550	120	126	76
560 to 579	1,240	211,300,294.54	0.73	170,403.46	4.278	659	570	118	123	75
580 to 599	1,665	284,779,860.52	0.98	171,038.96	4.276	663	590	118	124	76
600 to 619	2,354	407,556,807.62	1.40	173,133.73	4.290	668	610	119	124	76
620 to 639	3,354	585,397,571.10	2.01	174,537.14	4.286	673	630	120	126	76
640 to 659	4,943	863,327,784.96	2.97	174,656.64	4.273	679	650	119	125	76
660 to 679	7,237	1,291,377,103.93	4.44	178,440.94	4.266	689	670	119	125	76
680 to 699	9,994	1,795,341,367.17	6.17	179,641.92	4.262	699	690	120	126	76
700 to 719	12,249	2,218,822,846.61	7.63	181,143.18	4.261	708	710	120	126	76
720 to 739	15,300	2,809,670,133.65	9.66	183,638.57	4.259	720	730	120	126	76
740 to 759	18,814	3,416,775,346.53	11.75	181,608.13	4.251	735	750	120	125	75
760 to 779	24,314	4,367,893,682.45	15.02	179,645.21	4.243	748	770	120	125	75
780 to 799	28,951	5,172,389,176.66	17.78	178,660.12	4.227	763	790	120	123	75
800 to 819	20,195	3,484,470,948.25	11.98	172,541.27	4.221	772	808	120	123	74
820 to 839	8,368	1,396,028,619.38	4.80	166,829.42	4.219	780	827	120	122	74
840 to 859	457	73,372,062.62	0.25	160,551.56	4.233	782	841	119	122	75
<b>Total/Weighted Average:</b>	<b>163,624</b>	<b>29,083,383,409.01</b>	<b>100.00</b>	<b>177,745.22</b>	<b>4.247</b>	<b>735</b>	<b>745</b>	<b>120</b>	<b>124</b>	<b>75</b>

The non-zero weighted average Updated Credit Score of the mortgagors of the Reference Obligations was approximately 745.

## Debt-to-Income Ratio of the Reference Obligations at Origination

Range of Original Debt-to-Income Ratios (%)	Number of Reference Obligations	Aggregate Principal Balance (\$)	Aggregate Principal Balance (%)*	Average Principal Balance (\$)	Weighted Average Mortgage Rate (%)	Non-Zero Weighted Average Original Credit Score	Non-Zero Weighted Average Updated Credit Score	Non-Zero Weighted Average Original Loan-to-Value Ratio (%)	Non-Zero Weighted Average Original Combined Loan-to-Value Ratio (%)	Non-Zero Weighted Average Estimated Loan-to-Value Ratio (%)
Not Available	163,624	29,083,383,409.01	100.00	177,745.22	4.247	735	745	120	124	75
<b>Total/Weighted Average:</b>	<b>163,624</b>	<b>29,083,383,409.01</b>	<b>100.00</b>	<b>177,745.22</b>	<b>4.247</b>	<b>735</b>	<b>745</b>	<b>120</b>	<b>124</b>	<b>75</b>

The non-zero weighted average debt-to-income ratio of the Reference Obligations at origination was not available.

## Occupancy Type of the Reference Obligations

Occupancy Type	Number of Reference Obligations	Aggregate Principal Balance (\$)	Aggregate Principal Balance (%)*	Average Principal Balance (\$)	Weighted Average Mortgage Rate (%)	Non-Zero Weighted Average Original Credit Score	Non-Zero Weighted Average Updated Credit Score	Non-Zero Weighted Average Original Loan-to-Value Ratio (%)	Non-Zero Weighted Average Original Combined Loan-to-Value Ratio (%)	Non-Zero Weighted Average Estimated Loan-to-Value Ratio (%)
Primary Residence	136,619	24,635,089,854.10	84.71	180,319.65	4.215	732	743	119	124	75
Investment Property	20,828	3,302,487,342.06	11.36	158,559.98	4.480	745	755	126	128	77
Second Home	6,177	1,145,806,212.85	3.94	185,495.58	4.270	750	760	121	124	77
<b>Total/Weighted Average:</b>	<b>163,624</b>	<b>29,083,383,409.01</b>	<b>100.00</b>	<b>177,745.22</b>	<b>4.247</b>	<b>735</b>	<b>745</b>	<b>120</b>	<b>124</b>	<b>75</b>

## Loan Purpose of the Reference Obligations

Loan Purpose	Number of Reference Obligations	Aggregate Principal Balance (\$)	Aggregate Principal Balance (%)*	Average Principal Balance (\$)	Weighted Average Mortgage Rate (%)	Non-Zero Weighted Average Original Credit Score	Non-Zero Weighted Average Updated Credit Score	Non-Zero Weighted Average Original Loan-to-Value Ratio (%)	Non-Zero Weighted Average Original Combined Loan-to-Value Ratio (%)	Non-Zero Weighted Average Estimated Loan-to-Value Ratio (%)
No Cash-out Refinance	163,624	29,083,383,409.01	100.00	177,745.22	4.247	735	745	120	124	75
<b>Total/Weighted Average:</b>	<b>163,624</b>	<b>29,083,383,409.01</b>	<b>100.00</b>	<b>177,745.22</b>	<b>4.247</b>	<b>735</b>	<b>745</b>	<b>120</b>	<b>124</b>	<b>75</b>

\* Amounts may not add up to the totals shown due to rounding.

## Property Type of the Reference Obligations

Property Type	Number of Reference Obligations	Aggregate Principal Balance (\$)	Aggregate Principal Balance (%)*	Average Principal Balance (\$)	Weighted Average Mortgage Rate (%)	Non-Zero Weighted Average Original Credit Score	Non-Zero Weighted Average Updated Credit Score	Non-Zero Weighted Average Original Loan-to-Value Ratio (%)	Non-Zero Weighted Average Original Combined Loan-to-Value Ratio (%)	Non-Zero Weighted Average Estimated Loan-to-Value Ratio (%)
Single-Family . . . . .	113,882	20,163,749,912.73	69.33	177,058.27	4.235	731	741	119	123	75
Planned Unit Development . . . . .	26,372	5,228,315,210.03	17.98	198,252.51	4.246	739	750	120	126	75
Condominium . . . . .	22,210	3,541,961,576.93	12.18	159,475.98	4.316	750	760	127	131	81
Manufactured Housing . . . . .	975	121,457,443.16	0.42	124,571.74	4.254	740	756	119	124	N/A
Co-operative . . . . .	185	27,899,266.16	0.10	150,806.84	4.376	738	744	102	103	78
<b>Total/Weighted Average:</b>	<b>163,624</b>	<b>29,083,383,409.01</b>	<b>100.00</b>	<b>177,745.22</b>	<b>4.247</b>	<b>735</b>	<b>745</b>	<b>120</b>	<b>124</b>	<b>75</b>

## Geographic Concentration of the Mortgaged Properties (State or Territory)

State or Territory	Number of Reference Obligations	Aggregate Principal Balance (\$)	Aggregate Principal Balance (%)*	Average Principal Balance (\$)	Weighted Average Mortgage Rate (%)	Non-Zero Weighted Average Original Credit Score	Non-Zero Weighted Average Updated Credit Score	Non-Zero Weighted Average Original Loan-to-Value Ratio (%)	Non-Zero Weighted Average Original Combined Loan-to-Value Ratio (%)	Non-Zero Weighted Average Estimated Loan-to-Value Ratio (%)
Florida . . . . .	23,737	3,837,567,172.26	13.20	161,670.27	4.293	738	751	129	134	79
California . . . . .	15,442	3,699,452,210.41	12.72	239,570.79	4.329	738	748	147	152	73
Illinois . . . . .	14,310	2,464,192,810.04	8.47	172,200.76	4.230	735	745	121	126	79
Arizona . . . . .	9,988	1,835,143,274.34	6.31	183,734.81	4.325	740	750	137	142	76
Maryland . . . . .	6,808	1,502,826,058.77	5.17	220,744.13	4.245	730	740	111	116	80
Virginia . . . . .	6,104	1,266,173,687.23	4.35	207,433.43	4.206	737	746	103	108	77
New Jersey . . . . .	5,756	1,230,921,454.25	4.23	213,850.15	4.244	731	739	107	111	81
Georgia . . . . .	7,638	1,193,366,385.02	4.10	156,240.69	4.211	732	744	124	129	74
Michigan . . . . .	9,222	1,180,651,360.43	4.06	128,025.52	4.260	734	744	125	131	74
Minnesota . . . . .	5,708	998,546,232.00	3.43	174,938.02	4.179	744	754	111	117	71
New York . . . . .	3,635	854,481,734.34	2.94	235,070.63	4.256	726	735	100	105	75
Pennsylvania . . . . .	4,398	743,541,367.98	2.56	169,063.52	4.188	732	738	96	101	75
North Carolina . . . . .	4,272	709,272,254.27	2.44	166,028.15	4.160	735	746	98	102	73
Ohio . . . . .	5,915	673,797,649.72	2.32	113,913.38	4.163	725	738	103	108	76
Nevada . . . . .	3,219	659,933,552.72	2.27	205,011.98	4.378	743	754	175	180	75
Washington . . . . .	3,007	632,789,571.89	2.18	210,438.83	4.237	737	752	118	121	68
Connecticut . . . . .	2,549	503,250,072.85	1.73	197,430.39	4.192	732	738	101	105	83
Massachusetts . . . . .	2,352	490,419,405.14	1.69	208,511.65	4.207	728	735	106	109	72
Wisconsin . . . . .	3,411	489,601,683.37	1.68	143,536.11	4.066	728	740	101	105	74
South Carolina . . . . .	2,302	363,576,551.58	1.25	157,939.42	4.198	733	745	104	107	76
Missouri . . . . .	2,762	354,311,259.74	1.22	128,280.69	4.192	730	743	102	105	75
Oregon . . . . .	1,474	297,188,221.51	1.02	201,620.23	4.257	743	753	120	123	68
Alabama . . . . .	1,643	248,898,377.70	0.86	151,490.19	4.153	732	743	97	100	76
Texas . . . . .	1,707	240,316,597.13	0.83	140,783.01	4.276	713	729	94	95	70
Indiana . . . . .	1,968	227,563,497.54	0.78	115,631.86	4.154	721	736	95	98	71
New Mexico . . . . .	1,216	207,722,486.87	0.71	170,824.41	4.175	735	743	97	100	76
Utah . . . . .	994	203,432,246.21	0.70	204,660.21	4.170	736	748	113	116	68
New Hampshire . . . . .	1,038	192,292,385.35	0.66	185,252.78	4.194	730	742	104	108	73
Idaho . . . . .	1,006	186,580,992.26	0.64	185,468.18	4.220	741	752	122	126	69
Delaware . . . . .	871	172,604,295.97	0.59	198,167.96	4.204	730	742	100	104	75
Tennessee . . . . .	1,157	162,177,085.22	0.56	140,170.34	4.176	726	741	98	101	71
Rhode Island . . . . .	784	153,019,903.54	0.53	195,178.45	4.240	734	739	116	120	76
Colorado . . . . .	708	142,772,034.95	0.49	201,655.42	4.189	744	758	107	111	71
Louisiana . . . . .	773	104,747,519.18	0.36	135,507.79	4.211	713	726	93	95	74
Kentucky . . . . .	793	99,914,359.67	0.34	125,995.41	4.148	720	734	91	95	71
Arkansas . . . . .	713	89,593,140.19	0.31	125,656.58	4.170	729	743	96	98	73
Hawaii . . . . .	286	86,523,984.62	0.30	302,531.41	4.264	745	755	115	117	72
West Virginia . . . . .	454	76,905,411.80	0.26	169,395.18	4.254	734	740	110	115	81
Mississippi . . . . .	520	71,909,383.94	0.25	138,287.28	4.174	723	740	99	102	76
Maine . . . . .	412	67,689,499.47	0.23	164,294.90	4.161	732	743	97	99	72
Iowa . . . . .	560	62,589,046.81	0.22	111,766.16	4.193	727	743	92	96	70
Oklahoma . . . . .	480	58,377,423.01	0.20	121,619.63	4.219	722	729	88	90	71
Kansas . . . . .	464	58,220,697.00	0.20	125,475.64	4.188	724	739	95	97	70
Montana . . . . .	176	35,348,548.02	0.12	200,844.02	4.038	734	753	99	101	69
Puerto Rico . . . . .	228	33,680,681.94	0.12	147,722.29	4.064	730	747	102	102	N/A
Vermont . . . . .	190	32,763,165.50	0.11	172,437.71	4.102	731	739	89	92	75
Alaska . . . . .	120	27,474,966.25	0.09	228,958.05	4.029	730	745	86	87	69
District of Columbia . . . . .	94	21,328,159.52	0.07	226,895.31	4.400	731	743	104	107	72
Wyoming . . . . .	92	16,728,186.17	0.06	181,828.11	4.180	735	745	99	101	73
Nebraska . . . . .	133	16,455,631.29	0.06	123,726.55	4.252	720	742	92	94	68
South Dakota . . . . .	30	4,097,642.32	0.01	136,588.08	4.173	716	712	90	91	67
North Dakota . . . . .	5	652,089.71	0.00	130,417.94	4.198	685	713	96	96	69
<b>Total/Weighted Average:</b>	<b>163,624</b>	<b>29,083,383,409.01</b>	<b>100.00</b>	<b>177,745.22</b>	<b>4.247</b>	<b>735</b>	<b>745</b>	<b>120</b>	<b>124</b>	<b>75</b>

\* Amounts may not add up to the totals shown due to rounding.



## Geographic Concentration of the Mortgaged Properties (Top 10 Metropolitan Statistical Areas (“MSA”))

Top 10 MSAs	Number of Reference Obligations	Aggregate Principal Balance (\$)	Aggregate Principal Balance (%)*	Average Principal Balance (\$)	Weighted Average Mortgage Rate (%)	Non-Zero Weighted Average Original Credit Score	Non-Zero Weighted Average Updated Credit Score	Non-Zero Weighted Average Original Loan-to-Value Ratio (%)	Non-Zero Weighted Average Original Combined Loan-to-Value Ratio (%)	Non-Zero Weighted Average Estimated Loan-to-Value Ratio (%)
Chicago-Naperville-Arlington Heights, IL	10,397	1,864,308,296.29	6.41	179,312.14	4.253	735	745	123	128	79
Phoenix-Mesa-Scottsdale, AZ	6,724	1,295,367,545.09	4.45	192,648.36	4.335	740	749	142	147	74
Washington-Arlington-Alexandria, DC-VA-MD-WV	4,195	1,003,400,231.47	3.45	239,189.57	4.265	730	741	116	122	78
New York-Jersey City-White Plains, NY-NJ	3,557	857,054,798.74	2.95	240,948.78	4.262	729	738	105	109	77
Minneapolis-St. Paul-Bloomington, MN-WI	4,676	850,328,783.31	2.92	181,849.61	4.196	745	755	113	120	70
Atlanta-Sandy Springs-Roswell, GA	4,942	781,160,720.78	2.69	158,065.71	4.253	731	744	135	140	73
Riverside-San Bernardino-Ontario, CA	3,244	772,248,652.94	2.66	238,054.46	4.342	735	745	153	158	74
Orlando-Kissimmee-Sanford, FL	3,629	605,423,194.65	2.08	166,829.21	4.290	742	755	132	138	N/A
Baltimore-Columbia-Towson, MD	2,769	590,622,625.39	2.03	213,298.17	4.220	733	741	102	107	78
Tampa-St. Petersburg-Clearwater, FL	3,824	577,107,509.77	1.98	150,917.24	4.292	738	752	129	135	N/A
Other	115,667	19,886,361,050.58	68.38	171,927.70	4.236	734	745	117	122	75
<b>Total/Weighted Average:</b>	<b>163,624</b>	<b>29,083,383,409.01</b>	<b>100.00</b>	<b>177,745.22</b>	<b>4.247</b>	<b>735</b>	<b>745</b>	<b>120</b>	<b>124</b>	<b>75</b>

## Geographic Concentration of the Mortgaged Properties (Top 10 Three-Digit Zip Codes)

Top 10 Three-Digit Zip Codes	Number of Reference Obligations	Aggregate Principal Balance (\$)	Aggregate Principal Balance (%)*	Average Principal Balance (\$)	Weighted Average Mortgage Rate (%)	Non-Zero Weighted Average Original Credit Score	Non-Zero Weighted Average Updated Credit Score	Non-Zero Weighted Average Original Loan-to-Value Ratio (%)	Non-Zero Weighted Average Original Combined Loan-to-Value Ratio (%)	Non-Zero Weighted Average Estimated Loan-to-Value Ratio (%)
600xx	2,997	537,114,564.45	1.85	179,217.41	4.231	739	750	120	126	80
606xx	2,745	529,241,925.63	1.82	192,802.16	4.291	737	747	129	133	80
601xx	2,830	499,223,994.80	1.72	176,404.24	4.227	735	745	122	127	78
852xx	2,397	485,671,298.39	1.67	202,616.31	4.311	741	752	132	136	72
853xx	2,321	433,030,970.74	1.49	186,570.86	4.352	736	744	145	151	76
604xx	2,186	346,992,592.56	1.19	158,734.03	4.240	727	738	121	126	82
891xx	1,652	332,550,654.73	1.14	201,301.85	4.370	743	752	180	185	76
207xx	1,409	325,301,178.10	1.12	230,873.80	4.309	718	730	131	136	80
850xx	1,658	316,534,325.61	1.09	190,913.34	4.336	741	752	149	154	74
300xx	1,898	306,454,601.74	1.05	161,461.86	4.263	731	745	134	139	72
Other	141,531	24,971,267,302.26	85.86	176,436.73	4.240	734	745	117	122	75
<b>Total/Weighted Average:</b>	<b>163,624</b>	<b>29,083,383,409.01</b>	<b>100.00</b>	<b>177,745.22</b>	<b>4.247</b>	<b>735</b>	<b>745</b>	<b>120</b>	<b>124</b>	<b>75</b>

## Original Term to Maturity of the Reference Obligations

Original Term to Maturity (months)	Number of Reference Obligations	Aggregate Principal Balance (\$)	Aggregate Principal Balance (%)*	Average Principal Balance (\$)	Weighted Average Mortgage Rate (%)	Non-Zero Weighted Average Original Credit Score	Non-Zero Weighted Average Updated Credit Score	Non-Zero Weighted Average Original Loan-to-Value Ratio (%)	Non-Zero Weighted Average Original Combined Loan-to-Value Ratio (%)	Non-Zero Weighted Average Estimated Loan-to-Value Ratio (%)
240 to 259	341	36,928,709.44	0.13	108,295.34	4.178	741	746	116	121	70
260 to 279	1,362	184,624,089.50	0.63	135,553.66	4.230	736	740	118	124	70
280 to 299	990	141,231,793.83	0.49	142,658.38	4.291	728	738	119	124	73
300 to 319	5,216	865,221,081.73	2.97	165,878.27	4.256	734	744	117	121	75
320 to 339	260	45,407,182.48	0.16	174,643.01	4.076	744	748	99	102	71
340 to 359	70	12,783,058.34	0.04	182,615.12	4.484	764	754	107	109	76
360	155,385	27,797,187,493.69	95.58	178,892.35	4.247	735	745	120	125	75
<b>Total/Weighted Average:</b>	<b>163,624</b>	<b>29,083,383,409.01</b>	<b>100.00</b>	<b>177,745.22</b>	<b>4.247</b>	<b>735</b>	<b>745</b>	<b>120</b>	<b>124</b>	<b>75</b>

The weighted average original term to maturity of the Reference Obligations was approximately 357 months.

\* Amounts may not add up to the totals shown due to rounding.

## Remaining Term to Maturity of the Reference Obligations

Remaining Term to Maturity (months)	Number of Reference Obligations	Aggregate Principal Balance (\$)	Aggregate Principal Balance (%)*	Average Principal Balance (\$)	Weighted Average Mortgage Rate (%)	Non-Zero Weighted Average Original Credit Score	Non-Zero Weighted Average Updated Credit Score	Non-Zero Weighted Average Original Loan-to-Value Ratio (%)	Non-Zero Weighted Average Original Combined Loan-to-Value Ratio (%)	Non-Zero Weighted Average Estimated Loan-to-Value Ratio (%)
160 to 179 .....	21	2,870,900.11	0.01	136,709.53	4.550	729	730	122	131	74
180 to 199 .....	527	58,956,877.09	0.20	111,872.63	4.261	742	746	116	121	69
200 to 219 .....	1,426	199,449,046.90	0.69	139,866.09	4.287	735	740	119	125	70
220 to 239 .....	4,935	803,668,931.29	2.76	162,850.85	4.279	732	743	119	123	75
240 to 259 .....	1,190	195,436,287.09	0.67	164,232.17	4.085	741	747	108	110	73
260 to 279 .....	120	23,157,511.66	0.08	192,979.26	4.226	746	746	107	109	74
280 to 299 .....	143,512	25,745,594,329.58	88.52	179,396.81	4.265	735	746	120	125	75
300 to 319 .....	11,893	2,054,249,525.29	7.06	172,727.62	4.028	726	742	117	122	76
<b>Total/Weighted Average:</b>	<b>163,624</b>	<b>29,083,383,409.01</b>	<b>100.00</b>	<b>177,745.22</b>	<b>4.247</b>	<b>735</b>	<b>745</b>	<b>120</b>	<b>124</b>	<b>75</b>

The weighted average remaining term to maturity of the Reference Obligations as of the Cut-off Date was approximately 291 months.

## Sellers of the Reference Obligations

Seller	Number of Reference Obligations	Aggregate Principal Balance (\$)	Aggregate Principal Balance (%)*	Average Principal Balance (\$)	Weighted Average Mortgage Rate (%)	Non-Zero Weighted Average Original Credit Score	Non-Zero Weighted Average Updated Credit Score	Non-Zero Weighted Average Original Loan-to-Value Ratio (%)	Non-Zero Weighted Average Original Combined Loan-to-Value Ratio (%)	Non-Zero Weighted Average Estimated Loan-to-Value Ratio (%)
Wells Fargo Bank, N.A. ....	35,591	6,445,396,355.11	22.16	181,096.24	4.248	739	749	120	127	75
JPMorgan Chase Bank, N.A. ....	36,407	6,051,398,268.42	20.81	166,215.24	4.366	724	739	126	130	75
Citi Mortgage, Inc. ....	14,516	2,281,175,613.82	7.84	157,149.05	4.345	731	735	120	126	74
Bank of America, N.A. ....	10,992	2,116,997,727.69	7.28	192,594.41	4.387	730	743	122	127	76
US Bank N.A. ....	9,971	1,861,868,374.51	6.40	186,728.35	4.183	743	751	113	118	74
Fifth Third Bank ....	5,606	931,205,685.68	3.20	166,108.76	4.085	742	751	111	116	74
Quicken Loans Inc. ....	4,879	877,186,179.87	3.02	179,788.11	4.163	736	745	111	114	76
Ally Bank ....	4,375	755,947,070.16	2.60	172,787.90	4.259	718	735	122	128	77
M&T Bank ....	3,140	621,988,763.76	2.14	198,085.59	4.368	722	738	134	137	80
PNC Bank ....	3,068	540,295,428.61	1.86	176,106.72	4.414	725	740	121	126	76
Other .....	35,079	6,599,923,941.38	22.69	188,144.59	4.084	742	751	116	119	75
<b>Total/Weighted Average:</b>	<b>163,624</b>	<b>29,083,383,409.01</b>	<b>100.00</b>	<b>177,745.22</b>	<b>4.247</b>	<b>735</b>	<b>745</b>	<b>120</b>	<b>124</b>	<b>75</b>

## Servicers of the Reference Obligations

Servicer	Number of Reference Obligations	Aggregate Principal Balance (\$)	Aggregate Principal Balance (%)*	Average Principal Balance (\$)	Weighted Average Mortgage Rate (%)	Non-Zero Weighted Average Original Credit Score	Non-Zero Weighted Average Updated Credit Score	Non-Zero Weighted Average Original Loan-to-Value Ratio (%)	Non-Zero Weighted Average Original Combined Loan-to-Value Ratio (%)	Non-Zero Weighted Average Estimated Loan-to-Value Ratio (%)
Wells Fargo Bank, N.A. ....	35,591	6,445,396,355.11	22.16	181,096.24	4.248	739	749	120	127	75
JPMorgan Chase Bank, N.A. ....	29,400	4,787,474,453.01	16.46	162,839.27	4.376	727	742	121	125	74
New Residential Mortgage LLC ...	14,214	2,227,276,392.50	7.66	156,695.96	4.326	732	736	120	125	75
Bank of America, N.A. ....	9,758	1,876,630,719.58	6.45	192,317.15	4.395	735	746	123	127	76
Nationstar Mortgage LLC ....	10,328	1,864,334,533.55	6.41	180,512.64	4.303	719	737	137	141	80
US Bank N.A. ....	9,971	1,861,868,374.51	6.40	186,728.35	4.183	743	751	113	118	74
Fifth Third Bank ....	5,606	931,205,685.68	3.20	166,108.76	4.085	742	751	111	116	74
Ocwen Loan Servicing, LLC ....	4,890	871,388,432.40	3.00	178,198.04	4.380	722	738	123	129	76
PNC Bank ....	4,255	781,404,815.04	2.69	183,643.90	4.295	734	746	116	121	75
Quicken Loans Inc. ....	2,989	564,550,222.48	1.94	188,875.95	4.140	749	752	104	106	74
Other .....	36,622	6,871,853,425.15	23.63	187,642.77	4.102	737	747	117	120	76
<b>Total/Weighted Average:</b>	<b>163,624</b>	<b>29,083,383,409.01</b>	<b>100.00</b>	<b>177,745.22</b>	<b>4.247</b>	<b>735</b>	<b>745</b>	<b>120</b>	<b>124</b>	<b>75</b>

\* Amounts may not add up to the totals shown due to rounding.

## Origination Channel of the Reference Obligations

Origination Channel	Number of Reference Obligations	Aggregate Principal Balance (\$)	Aggregate Principal Balance (%)*	Average Principal Balance (\$)	Weighted Average Mortgage Rate (%)	Non-Zero Weighted Average Original Credit Score	Non-Zero Weighted Average Updated Credit Score	Non-Zero Weighted Average Original Loan-to-Value Ratio (%)	Non-Zero Weighted Average Original Combined Loan-to-Value Ratio (%)	Non-Zero Weighted Average Estimated Loan-to-Value Ratio (%)
Retail .....	151,995	26,619,258,209.64	91.53	175,132.46	4.263	733	744	121	125	75
Broker .....	6,956	1,494,752,767.41	5.14	214,886.83	4.106	752	758	115	118	74
Correspondent .....	4,673	969,372,431.96	3.33	207,441.14	4.036	756	761	103	106	71
<b>Total/Weighted Average:</b>	<b>163,624</b>	<b>29,083,383,409.01</b>	<b>100.00</b>	<b>177,745.22</b>	<b>4.247</b>	<b>735</b>	<b>745</b>	<b>120</b>	<b>124</b>	<b>75</b>

## First Payment Date of the Reference Obligations

First Payment Date (year)	Number of Reference Obligations	Aggregate Principal Balance (\$)	Aggregate Principal Balance (%)*	Average Principal Balance (\$)	Weighted Average Mortgage Rate (%)	Non-Zero Weighted Average Original Credit Score	Non-Zero Weighted Average Updated Credit Score	Non-Zero Weighted Average Original Loan-to-Value Ratio (%)	Non-Zero Weighted Average Original Combined Loan-to-Value Ratio (%)	Non-Zero Weighted Average Estimated Loan-to-Value Ratio (%)
2011 .....	447	80,619,760.71	0.28	180,357.41	4.685	737	741	103	108	75
2012 .....	114,335	20,544,596,658.26	70.64	179,687.73	4.344	736	746	121	126	75
2013 .....	48,842	8,458,166,990.04	29.08	173,174.05	4.008	730	743	117	122	75
<b>Total/Weighted Average:</b>	<b>163,624</b>	<b>29,083,383,409.01</b>	<b>100.00</b>	<b>177,745.22</b>	<b>4.247</b>	<b>735</b>	<b>745</b>	<b>120</b>	<b>124</b>	<b>75</b>

## Maturity Date of the Reference Obligations

Maturity Date (year)	Number of Reference Obligations	Aggregate Principal Balance (\$)	Aggregate Principal Balance (%)*	Average Principal Balance (\$)	Weighted Average Mortgage Rate (%)	Non-Zero Weighted Average Original Credit Score	Non-Zero Weighted Average Updated Credit Score	Non-Zero Weighted Average Original Loan-to-Value Ratio (%)	Non-Zero Weighted Average Original Combined Loan-to-Value Ratio (%)	Non-Zero Weighted Average Estimated Loan-to-Value Ratio (%)
2031 .....	2	196,618.60	0.00	98,309.30	4.569	671	688	117	127	70
2032 .....	15	2,103,578.48	0.01	140,238.57	4.497	723	721	129	136	78
2033 .....	205	21,356,399.44	0.07	104,177.56	4.334	746	752	117	121	69
2034 .....	438	52,512,388.48	0.18	119,891.30	4.202	737	740	114	121	69
2035 .....	815	113,188,241.07	0.39	138,881.28	4.290	739	742	120	126	70
2036 .....	1,030	149,404,871.89	0.51	145,053.27	4.328	728	737	117	122	73
2037 .....	3,687	607,686,149.96	2.09	164,818.59	4.320	732	743	120	124	75
2038 .....	1,544	251,643,050.45	0.87	162,981.25	4.093	733	745	114	117	75
2039 .....	381	66,101,141.16	0.23	173,493.81	3.934	752	754	99	101	71
2040 .....	50	9,016,883.94	0.03	180,337.68	4.030	725	732	109	112	71
2041 .....	2,474	443,802,050.30	1.53	179,386.44	4.654	738	745	102	107	74
2042 .....	117,664	21,215,503,813.28	72.95	180,305.82	4.310	736	746	121	126	75
2043 .....	35,319	6,150,868,221.96	21.15	174,151.82	4.002	729	742	117	122	75
<b>Total/Weighted Average:</b>	<b>163,624</b>	<b>29,083,383,409.01</b>	<b>100.00</b>	<b>177,745.22</b>	<b>4.247</b>	<b>735</b>	<b>745</b>	<b>120</b>	<b>124</b>	<b>75</b>

## First Time Homebuyer

First Time Homebuyer	Number of Reference Obligations	Aggregate Principal Balance (\$)	Aggregate Principal Balance (%)*	Average Principal Balance (\$)	Weighted Average Mortgage Rate (%)	Non-Zero Weighted Average Original Credit Score	Non-Zero Weighted Average Updated Credit Score	Non-Zero Weighted Average Original Loan-to-Value Ratio (%)	Non-Zero Weighted Average Original Combined Loan-to-Value Ratio (%)	Non-Zero Weighted Average Estimated Loan-to-Value Ratio (%)
No .....	163,624	29,083,383,409.01	100.00	177,745.22	4.247	735	745	120	124	75
<b>Total/Weighted Average:</b>	<b>163,624</b>	<b>29,083,383,409.01</b>	<b>100.00</b>	<b>177,745.22</b>	<b>4.247</b>	<b>735</b>	<b>745</b>	<b>120</b>	<b>124</b>	<b>75</b>

## Number of Borrowers

Number of Borrowers	Number of Reference Obligations	Aggregate Principal Balance (\$)	Aggregate Principal Balance (%)*	Average Principal Balance (\$)	Weighted Average Mortgage Rate (%)	Non-Zero Weighted Average Original Credit Score	Non-Zero Weighted Average Updated Credit Score	Non-Zero Weighted Average Original Loan-to-Value Ratio (%)	Non-Zero Weighted Average Original Combined Loan-to-Value Ratio (%)	Non-Zero Weighted Average Estimated Loan-to-Value Ratio (%)
1 .....	79,540	12,881,218,485.91	44.29	161,946.42	4.262	739	752	122	126	76
2 .....	83,678	16,117,046,795.01	55.42	192,607.94	4.236	731	740	119	123	75
3 .....	307	63,439,618.58	0.22	206,643.71	4.188	715	741	124	127	76
4 .....	95	20,910,233.28	0.07	220,107.72	4.245	716	760	128	131	77
5 .....	4	768,276.23	0.00	192,069.06	3.878	684	786	123	123	81
<b>Total/Weighted Average:</b>	<b>163,624</b>	<b>29,083,383,409.01</b>	<b>100.00</b>	<b>177,745.22</b>	<b>4.247</b>	<b>735</b>	<b>745</b>	<b>120</b>	<b>124</b>	<b>75</b>

\* Amounts may not add up to the totals shown due to rounding.

## Number of Units

Number of Units	Number of Reference Obligations	Aggregate Principal Balance (\$)	Aggregate Principal Balance (%)*	Average Principal Balance (\$)	Weighted Average Mortgage Rate (%)	Non-Zero Weighted Average Original Credit Score	Non-Zero Weighted Average Updated Credit Score	Non-Zero Weighted Average Original Loan-to-Value Ratio (%)	Non-Zero Weighted Average Original Combined Loan-to-Value Ratio (%)	Non-Zero Weighted Average Estimated Loan-to-Value Ratio (%)
1	159,632	28,202,883,582.26	96.97	176,674.37	4.242	734	745	120	125	75
2	2,915	600,269,559.68	2.06	205,924.38	4.387	735	746	118	121	78
3	568	146,296,433.27	0.50	257,564.14	4.439	739	753	114	116	79
4	509	133,933,833.80	0.46	263,131.30	4.524	742	752	113	114	74
<b>Total/Weighted Average:</b>	<b>163,624</b>	<b>29,083,383,409.01</b>	<b>100.00</b>	<b>177,745.22</b>	<b>4.247</b>	<b>735</b>	<b>745</b>	<b>120</b>	<b>124</b>	<b>75</b>

## Lien Position of the Reference Obligations at Origination

Lien Position	Number of Reference Obligations	Aggregate Principal Balance (\$)	Aggregate Principal Balance (%)*	Average Principal Balance (\$)	Weighted Average Mortgage Rate (%)	Non-Zero Weighted Average Original Credit Score	Non-Zero Weighted Average Updated Credit Score	Non-Zero Weighted Average Original Loan-to-Value Ratio (%)	Non-Zero Weighted Average Original Combined Loan-to-Value Ratio (%)	Non-Zero Weighted Average Estimated Loan-to-Value Ratio (%)
First Lien	163,624	29,083,383,409.01	100.00	177,745.22	4.247	735	745	120	124	75
<b>Total/Weighted Average:</b>	<b>163,624</b>	<b>29,083,383,409.01</b>	<b>100.00</b>	<b>177,745.22</b>	<b>4.247</b>	<b>735</b>	<b>745</b>	<b>120</b>	<b>124</b>	<b>75</b>

## Reference Obligations with Subordinate Financing at Origination

Reference Obligations with Subordinate Financing at Origination	Number of Reference Obligations	Aggregate Principal Balance (\$)	Aggregate Principal Balance (%)*	Average Principal Balance (\$)	Weighted Average Mortgage Rate (%)	Non-Zero Weighted Average Original Credit Score	Non-Zero Weighted Average Updated Credit Score	Non-Zero Weighted Average Original Loan-to-Value Ratio (%)	Non-Zero Weighted Average Original Combined Loan-to-Value Ratio (%)	Non-Zero Weighted Average Estimated Loan-to-Value Ratio (%)
Not Available	14,342	2,557,609,926.04	8.79	178,330.07	4.544	734	743	133	133	76
No	114,085	19,836,575,336.01	68.21	173,875.40	4.215	738	749	120	120	76
Yes	35,197	6,689,198,146.96	23.00	190,050.24	4.230	726	734	114	134	73
<b>Total/Weighted Average:</b>	<b>163,624</b>	<b>29,083,383,409.01</b>	<b>100.00</b>	<b>177,745.22</b>	<b>4.247</b>	<b>735</b>	<b>745</b>	<b>120</b>	<b>124</b>	<b>75</b>

## Mortgage Insurance Coverage Level

Mortgage Insurance Coverage Level (%)	Number of Reference Obligations	Aggregate Principal Balance (\$)	Aggregate Principal Balance (%)*	Average Principal Balance (\$)	Weighted Average Mortgage Rate (%)	Non-Zero Weighted Average Original Credit Score	Non-Zero Weighted Average Updated Credit Score	Non-Zero Weighted Average Original Loan-to-Value Ratio (%)	Non-Zero Weighted Average Original Combined Loan-to-Value Ratio (%)	Non-Zero Weighted Average Estimated Loan-to-Value Ratio (%)
Not Available	2	266,280.60	0.00	133,140.30	4.356	665	740	128	128	76
None	127,031	23,030,880,678.20	79.19	181,301.26	4.234	737	747	118	124	73
1 to 15	2,687	477,869,050.25	1.64	177,844.83	4.290	728	739	122	123	79
16 to 25	20,959	3,404,976,364.52	11.71	162,458.91	4.301	727	740	126	127	82
26 to 30	9,008	1,572,650,937.36	5.41	174,583.81	4.298	728	741	126	127	82
31 to 55	3,937	596,740,098.08	2.05	151,572.29	4.282	721	735	129	129	84
<b>Total/Weighted Average:</b>	<b>163,624</b>	<b>29,083,383,409.01</b>	<b>100.00</b>	<b>177,745.22</b>	<b>4.247</b>	<b>735</b>	<b>745</b>	<b>120</b>	<b>124</b>	<b>75</b>

## Mortgage Insurance Cancellation Indicator

Mortgage Insurance Cancellation Indicator	Number of Reference Obligations	Aggregate Principal Balance (\$)	Aggregate Principal Balance (%)*	Average Principal Balance (\$)	Weighted Average Mortgage Rate (%)	Non-Zero Weighted Average Original Credit Score	Non-Zero Weighted Average Updated Credit Score	Non-Zero Weighted Average Original Loan-to-Value Ratio (%)	Non-Zero Weighted Average Original Combined Loan-to-Value Ratio (%)	Non-Zero Weighted Average Estimated Loan-to-Value Ratio (%)
Not Applicable	124,309	22,621,790,332.89	77.78	181,980.31	4.235	737	747	119	124	73
No	36,591	6,052,236,450.21	20.81	165,402.32	4.298	727	740	126	127	82
Yes	2,724	409,356,625.91	1.41	150,277.76	4.153	730	746	101	102	70
<b>Total/Weighted Average:</b>	<b>163,624</b>	<b>29,083,383,409.01</b>	<b>100.00</b>	<b>177,745.22</b>	<b>4.247</b>	<b>735</b>	<b>745</b>	<b>120</b>	<b>124</b>	<b>75</b>

\* Amounts may not add up to the totals shown due to rounding.

### Mortgage Insurance Type

Mortgage Insurance Type	Number of Reference Obligations	Aggregate Principal Balance (\$)	Aggregate Principal Balance (%)*	Average Principal Balance (\$)	Weighted Average Mortgage Rate (%)	Non-Zero Weighted Average Original Credit Score	Non-Zero Weighted Average Updated Credit Score	Non-Zero Weighted Average Original Loan-to-Value Ratio (%)	Non-Zero Weighted Average Original Combined Loan-to-Value Ratio (%)	Non-Zero Weighted Average Estimated Loan-to-Value Ratio (%)
Not Applicable or Not Available	136,792	24,613,113,437.21	84.63	179,930.94	4.257	736	746	119	124	74
Borrower-Paid	20,656	3,341,531,090.53	11.49	161,770.48	4.124	724	738	125	126	82
Lender-Paid	6,176	1,128,738,881.27	3.88	182,762.12	4.397	736	747	126	127	81
<b>Total/Weighted Average:</b>	<b>163,624</b>	<b>29,083,383,409.01</b>	<b>100.00</b>	<b>177,745.22</b>	<b>4.247</b>	<b>735</b>	<b>745</b>	<b>120</b>	<b>124</b>	<b>75</b>

### Delinquency Status of the Reference Obligations as of February 28, 2018

Delinquency Status	Number of Reference Obligations	Aggregate Principal Balance (\$)	Aggregate Principal Balance (%)*	Average Principal Balance (\$)	Weighted Average Mortgage Rate (%)	Non-Zero Weighted Average Original Credit Score	Non-Zero Weighted Average Updated Credit Score	Non-Zero Weighted Average Original Loan-to-Value Ratio (%)	Non-Zero Weighted Average Original Combined Loan-to-Value Ratio (%)	Non-Zero Weighted Average Estimated Loan-to-Value Ratio (%)
Current	163,624	29,083,383,409.01	100.00	177,745.22	4.247	735	745	120	124	75
<b>Total/Weighted Average:</b>	<b>163,624</b>	<b>29,083,383,409.01</b>	<b>100.00</b>	<b>177,745.22</b>	<b>4.247</b>	<b>735</b>	<b>745</b>	<b>120</b>	<b>124</b>	<b>75</b>

### Historical Delinquency Status of the Reference Obligations as of February 28, 2018

Historical Delinquency	Number of Reference Obligations	Aggregate Principal Balance (\$)	Aggregate Principal Balance (%)*	Average Principal Balance (\$)	Weighted Average Mortgage Rate (%)	Non-Zero Weighted Average Original Credit Score	Non-Zero Weighted Average Updated Credit Score	Non-Zero Weighted Average Original Loan-to-Value Ratio (%)	Non-Zero Weighted Average Original Combined Loan-to-Value Ratio (%)	Non-Zero Weighted Average Estimated Loan-to-Value Ratio (%)
Never Delinquent in past 24 months	159,563	28,359,048,288.31	97.51	177,729.48	4.247	735	747	120	124	75
Never Delinquent in past 12 months	2,768	492,624,755.14	1.69	177,971.37	4.269	697	679	119	124	76
Never Delinquent in past 6 months and 1 time 30 days delinquent in past 12 months	1,293	231,710,365.56	0.80	179,203.69	4.277	699	676	118	124	75
<b>Total/Weighted Average:</b>	<b>163,624</b>	<b>29,083,383,409.01</b>	<b>100.00</b>	<b>177,745.22</b>	<b>4.247</b>	<b>735</b>	<b>745</b>	<b>120</b>	<b>124</b>	<b>75</b>

\* Amounts may not add up to the totals shown due to rounding.



## Appendix B

### Third-Party Diligence Provider's Data Integrity Review Discrepancies<sup>(1)(2)</sup>

<u>Loan Identifier</u>	<u>Record Type</u>	<u>Loan File Data</u>	<u>Third-Party Diligence Provider Data</u>
18HRP1088747	First Payment Date	9/2012	8/2012
N/A	First Payment Date	3/2013	2/2013
18HRP1088747	Maturity Date	8/2042	7/2042
N/A	Maturity Date	2/2043	1/2043
18HRP1143961	Postal Code <sup>(1)</sup>	009XX	009XX
18HRP1088037	Property Type	Single-Family	PUD
N/A	Property Type	Single-Family	Condo
N/A	Property Type	Single-Family	Condo

<sup>(1)</sup> While the Third-Party Diligence Provider's review process validated the 5-digit postal code, the postal code discrepancy identified displays only the first 3 digits because we disclose only the first 3 digits of the postal code at the loan level. The identified postal code discrepancy for this loan was in the 5th digit.

<sup>(2)</sup> 4 of the discrepancies represented by loan identifiers designated as "N/A" correspond to 3 mortgage loans that are not included in the Reference Pool due to principal payments in full, delinquencies, bankruptcy filings, removal as part of our quality control process and/or removal as part of the Third-Party Diligence Provider's review process.

## Appendix C

### Assumed Characteristics of the Reference Obligations (as of the Cut-off Date)

Group Number	Outstanding Principal Balance (\$)	Remaining Term to Maturity (months)	Original Term to Maturity (months)	Per Annum Interest Rate (%)
1	956,185.54	296	360	2.875
2	97,282.54	236	300	3.000
3	106,250.76	252	315	3.000
4	2,972,817.08	297	360	3.004
5	279,944.11	220	282	3.125
6	917,109.22	237	300	3.130
7	329,879.36	246	309	3.125
8	637,642.77	255	319	3.125
9	10,169,151.27	297	360	3.129
10	172,724.52	198	259	3.250
11	1,391,187.23	238	300	3.250
12	240,843.22	248	310	3.250
13	1,502,597.14	258	320	3.250
14	48,616,320.34	298	360	3.257
15	628,449.71	301	360	3.272
16	305,160.54	191	252	3.375
17	236,957.06	202	263	3.375
18	210,569.65	211	275	3.375
19	791,147.89	226	289	3.387
20	4,532,756.88	237	300	3.392
21	1,891,227.49	247	309	3.385
22	2,069,747.89	255	319	3.375
23	70,275.04	274	336	3.375
24	333,752.04	288	360	3.375
25	170,949,319.49	297	360	3.385
26	3,771,084.61	301	360	3.426
27	271,115.08	191	252	3.500
28	883,604.97	202	263	3.500
29	572,000.57	213	275	3.500
30	766,498.41	226	287	3.506
31	9,228,253.78	238	300	3.513
32	1,922,861.20	247	309	3.508
33	3,137,512.72	257	320	3.508
34	110,482.69	269	330	3.500
35	1,147,928.01	288	360	3.500
36	481,914,077.18	297	360	3.505
37	10,985,076.86	301	360	3.518
38	1,775,223.15	190	252	3.625
39	1,838,433.63	202	263	3.625
40	1,801,710.30	214	275	3.625
41	3,114,201.22	226	289	3.625
42	18,114,240.60	237	300	3.628
43	4,113,054.76	250	312	3.630
44	2,988,041.64	257	321	3.634
45	132,537.51	271	336	3.625
46	2,296,405.77	287	360	3.630
47	912,167,682.55	297	360	3.628
48	24,778,654.08	301	360	3.639
49	2,797,104.79	190	251	3.750
50	4,907,297.42	203	264	3.751
51	8,047,261.63	215	276	3.750
52	7,722,475.99	226	290	3.757
53	42,275,150.19	238	300	3.754
54	9,637,207.26	249	311	3.753
55	4,098,828.78	257	321	3.750
56	192,029.50	265	336	3.750

<u>Group Number</u>	<u>Outstanding Principal Balance (\$)</u>	<u>Remaining Term to Maturity (months)</u>	<u>Original Term to Maturity (months)</u>	<u>Per Annum Interest Rate (%)</u>
57	28,643,345.27	288	360	3.769
58	1,637,687,443.97	297	360	3.752
59	45,970,751.14	301	360	3.752
60	131,826.17	168	241	3.875
61	5,547,615.57	190	252	3.877
62	11,184,764.24	203	264	3.879
63	17,356,912.09	214	277	3.885
64	19,280,317.12	226	291	3.901
65	76,029,791.72	236	300	3.920
66	16,874,512.01	248	312	3.894
67	9,660,025.65	257	325	3.907
68	1,040,185.96	271	336	3.895
69	193,931,376.46	287	360	3.911
70	2,654,274,186.61	296	360	3.903
71	37,472,384.52	301	360	3.897
72	4,067,625.03	189	252	4.000
73	6,177,247.01	200	265	4.005
74	9,605,417.71	213	277	4.004
75	15,796,999.51	226	292	4.005
76	60,500,994.89	235	300	4.007
77	10,344,457.21	247	312	4.004
78	4,122,031.60	256	324	4.022
79	206,781,041.36	287	360	4.009
80	2,411,567,768.61	295	360	4.005
81	22,703,035.02	301	360	4.005
82	266,760.81	179	252	4.125
83	3,619,710.21	188	252	4.125
84	10,882,561.72	200	264	4.125
85	19,306,747.20	212	276	4.125
86	22,375,955.23	224	290	4.125
87	91,899,336.00	236	300	4.126
88	12,856,874.83	246	310	4.125
89	4,452,706.87	258	324	4.125
90	337,647.32	268	332	4.125
91	200,493,154.34	287	360	4.126
92	3,228,959,132.05	295	360	4.125
93	48,501,252.11	301	360	4.126
94	89,298.76	167	241	4.250
95	374,457.58	178	245	4.250
96	6,072,540.84	188	252	4.250
97	11,288,444.12	200	265	4.250
98	21,001,161.32	212	276	4.250
99	30,291,479.14	225	291	4.250
100	96,797,012.61	236	300	4.250
101	11,309,533.46	246	312	4.251
102	2,801,830.08	257	326	4.250
103	759,631.49	271	337	4.250
104	293,570,500.06	287	360	4.253
105	3,465,869,877.78	295	360	4.250
106	88,302,076.19	301	360	4.250
107	444,778.26	174	242	4.375
108	2,651,628.47	186	252	4.375
109	3,604,486.19	199	264	4.375
110	12,135,453.51	211	277	4.375
111	28,660,481.01	225	295	4.376
112	69,705,151.25	234	300	4.376
113	9,109,124.70	245	311	4.375
114	1,528,681.96	258	327	4.375
115	552,814.42	267	334	4.375
116	505,192,377.33	287	360	4.378

<u>Group Number</u>	<u>Outstanding Principal Balance (\$)</u>	<u>Remaining Term to Maturity (months)</u>	<u>Original Term to Maturity (months)</u>	<u>Per Annum Interest Rate (%)</u>
117	2,470,007,163.07	294	360	4.376
118	18,018,136.87	301	360	4.375
119	235,638.06	167	241	4.500
120	288,357.15	176	246	4.500
121	1,131,265.48	184	256	4.500
122	2,032,291.88	198	267	4.500
123	6,644,196.18	209	277	4.500
124	28,005,892.72	225	296	4.500
125	74,287,006.36	232	300	4.501
126	4,587,858.32	243	312	4.500
127	2,338,980.73	257	328	4.500
128	531,781,536.48	287	360	4.501
129	2,636,310,693.39	292	360	4.500
130	5,476,193.66	301	360	4.500
131	107,860.89	165	241	4.625
132	694,426.27	180	252	4.625
133	2,052,951.80	186	257	4.625
134	1,953,822.85	198	269	4.625
135	12,793,159.78	211	278	4.625
136	18,972,935.01	225	296	4.625
137	54,993,508.45	232	301	4.625
138	5,396,661.38	245	313	4.625
139	1,760,460.99	254	324	4.625
140	158,147.69	266	336	4.625
141	336,931,432.67	287	360	4.626
142	1,814,499,858.82	292	360	4.625
143	2,887,269.52	301	360	4.625
144	164,079.99	167	241	4.750
145	2,231,749.47	179	251	4.750
146	5,806,732.12	189	260	4.750
147	7,145,434.62	198	269	4.750
148	7,098,714.58	210	280	4.750
149	20,556,069.31	225	297	4.750
150	32,236,351.64	232	301	4.750
151	2,915,118.78	245	314	4.750
152	495,654.32	258	329	4.750
153	326,271,018.92	287	360	4.753
154	1,196,245,815.25	292	360	4.750
155	6,168,286.40	301	360	4.750
156	303,551.48	175	241	4.990
157	1,632,908.23	203	275	4.875
158	6,865,360.24	211	282	4.879
159	12,667,684.87	224	296	4.881
160	21,554,661.23	232	301	4.879
161	2,752,441.75	245	315	4.877
162	84,064.77	256	324	4.875
163	315,409,436.95	286	360	4.883
164	658,154,446.33	291	360	4.881
165	527,895.65	301	360	4.875
166	194,120.62	178	252	5.000
167	3,012,811.46	204	276	5.000
168	6,312,981.31	213	284	5.000
169	8,691,053.92	224	295	5.000
170	6,626,872.28	232	302	5.003
171	1,856,594.80	245	316	5.000
172	173,022.26	253	324	5.000
173	136,023,222.14	287	360	5.001
174	178,717,917.17	291	360	5.000
175	113,160.78	178	252	5.125

<b>Group Number</b>	<b>Outstanding Principal Balance (\$)</b>	<b>Remaining Term to Maturity (months)</b>	<b>Original Term to Maturity (months)</b>	<b>Per Annum Interest Rate (%)</b>
176	32,924.72	184	252	5.125
177	518,573.80	210	281	5.125
178	1,446,539.94	224	296	5.125
179	2,753,211.22	232	301	5.125
180	338,221.22	241	312	5.125
181	51,277,081.30	286	360	5.126
182	134,844,302.82	291	360	5.125
183	91,124.50	184	252	5.250
184	148,555.78	210	282	5.250
185	1,160,116.41	223	294	5.250
186	4,033,353.50	232	301	5.250
187	278,366.87	241	316	5.250
188	37,701,281.69	286	360	5.252
189	133,840,291.86	291	360	5.250
190	1,411,488.03	223	296	5.375
191	1,348,943.78	230	300	5.375
192	23,810,124.74	286	360	5.376
193	29,409,125.95	291	360	5.375
194	446,080.36	230	300	5.500
195	159,179.85	246	320	5.500
196	7,773,516.69	286	360	5.500
197	7,828,839.80	291	360	5.500
198	113,120.45	229	300	5.625
199	78,995.78	255	328	5.625
200	1,770,094.73	286	360	5.625
201	2,415,810.22	291	360	5.625
202	1,428,976.41	286	360	5.750
203	1,869,331.39	290	360	5.750
204	190,859.34	286	360	5.875
205	578,713.27	291	360	5.875
206	195,271.18	286	360	6.000



## **Appendix D**

### **Selling Restrictions**

#### **Canada**

Each Initial Purchaser has represented, warranted and agreed that:

(a) the sale and delivery of any Notes to a Canadian Purchaser by such Initial Purchaser shall be made so as to be exempt from the prospectus filing requirements and exempt from, or in compliance with, the dealer registration requirements of all applicable Canadian Securities Laws;

(b) (i) the Initial Purchaser is an investment dealer as defined in section 1.1 of National Instrument 31-103 Registration Requirements, Exemptions and Ongoing Registrant Obligations; or (ii) any sale and delivery of any Notes to a Canadian Purchaser will be made through (A) an affiliate of the relevant Initial Purchaser that is a registered investment dealer, exempt market dealer or restricted dealer; or (B) in compliance with the international dealer exemption from the dealer registration requirements, and otherwise in compliance with the representations, warranties, and agreements set out herein;

(c) each Canadian Purchaser is entitled under the Securities Laws to acquire the Notes without a prospectus qualified under the Canadian Securities Laws, and such purchaser, (A) is a “permitted client” as defined in section 1.1 of NI 31-103 and an “accredited investor” as defined in section 73.3 of the Securities Act (Ontario) and National Instrument 45-106 Prospectus Exemptions and is a person to which an Initial Purchaser relying on the international dealer exemption from the dealer registration requirements or an Initial Purchaser registered as a restricted dealer may sell the Notes, or (B) is an “accredited investor” as defined in section 73.3 of the Securities Act (Ontario) and NI 45-106 who is purchasing the Notes from a registered investment dealer or exempt market dealer;

(d) it will ensure that each Canadian Purchaser purchasing from it (i) has represented to it that such Canadian Purchaser is resident in Canada; (ii) has represented to it which categories set forth in the relevant definition of “accredited investor” in section 73.3 of the Securities Act (Ontario) and NI 45-106 or “permitted client” in section 1.1 of NI 31-103, or both, as applicable, correctly describes such Canadian Purchaser; and (iii) consents to disclosure of all required information about the purchase to the relevant Canadian securities regulators or regulatory authorities;

(e) it has not provided and will not provide to any Canadian Purchaser any document or other material that would constitute an offering memorandum (other than this Memorandum with respect to the private placement of the Notes in Canada) within the meaning of the Canadian Securities Laws;

(f) it has not provided and will not provide any document or other material that would constitute an offering memorandum within the meaning of the Canadian Securities Laws to a Canadian Purchaser outside the provinces of Alberta, British Columbia, Ontario and Quebec;

(g) it has not made and it will not make any written or oral representations to any Canadian Purchaser:

(i) that any person will resell or repurchase the Notes purchased by such Canadian Purchaser;

(ii) that the Notes will be freely tradeable by the Canadian Purchaser without any restrictions or hold periods;

(iii) that any person will refund the purchase price of the Notes; or

(iv) as to the future price or value of the Notes; and

(h) it will inform each Canadian Purchaser that:

(i) we are not a “reporting issuer” and are not, and may never be, a reporting issuer in any province or territory of Canada and there currently is no public market in Canada for any of the Notes, and one may never develop;

(ii) the Notes will be subject to resale restrictions under applicable Securities Law; and

(iii) such Canadian Purchaser’s name and other specified information will be disclosed to the relevant Canadian securities regulators or regulatory authorities and may become available to the public in accordance with applicable laws.

## **European Economic Area**

Each Initial Purchaser represents and agrees that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes to any retail investor in the European Economic Area. For the purposes of this provision: (a) the expression “retail investor” means a person who is one (or more) of the following: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, “MiFID II”); or (ii) a customer within the meaning of Directive 2002/92/EC, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Directive 2003/71/EC (as amended, the “Prospectus Directive”); and (b) the expression “offer” includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

## **Japan**

The Notes have not been and will not be registered under FIEA and, accordingly, each Initial Purchaser undertakes that it will not offer or sell any Notes directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan or to others for re-offering or resale, directly or indirectly, in Japan or to any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with the FIEA and other relevant laws and regulations of Japan. As used in this paragraph, “resident of Japan” means any person resident in Japan, including any corporation or other entity organised under the laws of Japan.

## **Korea**

The Issuer is not making any representation with respect to eligibility of any recipients of this Memorandum to acquire the Notes referred to herein under the laws of Korea. The Notes offered under this Memorandum have not been and will not be registered with the Financial Services Commission of Korea for public offering in Korea under FSCMA and are therefore subject to certain transfer restrictions. The Notes may not be offered, sold or delivered, directly or indirectly, or offered or sold to any person for re-offering or resale, directly or indirectly, in Korea or to any resident of Korea (as defined in the Foreign Exchange Transaction Law of Korea) except pursuant to the applicable laws and regulations of Korea, including the FSCMA and the Foreign Exchange Transaction Law and the decrees and regulations thereunder.

## **People’s Republic of China**

The Notes may not be offered or sold directly or indirectly within the borders of the PRC. The offering material or information contained herein relating to the Notes, which has not been and will not be submitted to or approved/verified by or registered with any relevant governmental authorities in the PRC (including but not limited to the China Securities Regulatory Commission), may not be supplied to the public in the PRC or used in connection with any offer for the subscription or sale of the Notes in the PRC. The offering material or information contained herein relating to the Notes does not constitute an offer to sell or the solicitation of an offer to buy any securities in the PRC. The Notes may only be offered or sold to PRC investors that are authorized to engage in the purchase of notes of the type being offered or sold, including but not limited to those that are authorized to engage in the purchase and sale of foreign exchange for themselves and on behalf of their customers and/or the purchase and sale of government bonds or financial bonds and/or the purchase and sale of debt securities denominated in foreign currency other than stocks. PRC investors are responsible for obtaining all relevant approvals/licences, verification and/or registrations themselves from relevant governmental authorities (including but not limited to the China Securities Regulatory Commission, the State Administration of Foreign Exchange and/or the China Banking Regulatory Commission), and complying with all relevant PRC regulations, including, but not limited to, all relevant foreign exchange regulations and/or foreign investment regulations.

## **Singapore**

The Initial Purchasers have acknowledged that this Memorandum has not been and will not be registered as a prospectus with the Monetary Authority of Singapore under the SFA. Accordingly, each Initial Purchaser has represented, warranted and agreed that it will neither offer nor sell the Notes pursuant to an offering nor make the Notes the subject of an invitation for subscription or purchase whether directly or indirectly, and has not

circulated or distributed, nor will it circulate or distribute this Memorandum or any other document or material in connection with the offer or sale, or invitation for subscription or purchase of the Notes, whether directly or indirectly, to any person in Singapore other than under exemptions provided in the SFA for offers made (a) to an institutional investor (as defined in Section 4A of the SFA) pursuant to Section 274 of the SFA, (b) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person to whom an offer referred to in Section 275(1A) of the SFA is made, and in accordance with the conditions specified in Section 275 of the SFA, or (c) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Investors should note that any subsequent sale of the Notes acquired pursuant to an offer in this Memorandum made under exemptions (a) or (b) above within a period of six months from the date of initial acquisition is restricted to (i) institutional investors (as defined in Section 4A of the SFA); (ii) relevant persons as defined in Section 275(2) of the SFA; or (iii) persons pursuant to an offer referred to in Section 275(1A) of the SFA, unless expressly specified otherwise in Section 276(7) of the SFA.

Each Initial Purchaser has also represented, warranted and agreed to notify (whether through the distribution of this Memorandum or any other document or material in connection with the offer or sale or invitation for subscription or purchase of the Notes or otherwise) each of the following relevant persons specified in Section 276 of the SFA which has subscribed or purchased Notes from and through Freddie Mac or one of the Initial Purchasers, namely a person who is:

(A) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(B) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

that the securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred for six months after that corporation or that trust has acquired the Notes pursuant to an offer made in reliance on an exemption under Section 275 of the SFA except: (1) to an institutional investor (as defined in Section 4A of the SFA) or to a relevant person (as defined in Section 275(2) of the SFA), or (in the case of such corporation where the transfer arises from an offer referred to in Section 276(3)(i)(B) of the SFA or (in the case of such trust) where the transfer arises from an offer referred to in Section 276(4)(i)(B) of the SFA; (2) where no consideration is or will be given for the transfer; (3) where the transfer is by operation of law; (4) as specified in Section 276(7) of the SFA; or (5) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

## **Taiwan**

The Notes have not been and will not be registered with the Financial Supervisory Commission of Taiwan, the Republic of China pursuant to relevant securities laws and regulations and may not be offered or sold in Taiwan, the Republic of China through a public offering or in circumstance which constitutes an offer within the meaning of the Securities and Exchange Act of Taiwan, the Republic of China that requires a registration or approval of the Financial Supervisory Commission of Taiwan, the Republic of China. No person or entity in Taiwan, the Republic of China has been authorized to offer or sell the Notes in Taiwan, the Republic of China.

## **United Kingdom**

Each of the Initial Purchasers has represented and agreed that (a) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity, within the meaning of section 21 of the FSMA, received by it in connection with the issue or sale of any Notes in circumstances in which section 21(1) of the FSMA does not apply to the Issuer and (b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Notes in, from or otherwise involving the United Kingdom.

## Appendix E

### Third-Party BPO Values<sup>(1)</sup>

STACR Loan ID	BPO Value	STACR Loan ID	BPO Value
18HRP1001184	\$ 307,000.00	18HRP1152935	\$ 360,000.00
18HRP1003191	\$ 300,000.00	18HRP1153115	\$ 430,000.00
18HRP1003731	\$ 915,000.00	18HRP1157203	\$ 470,000.00
18HRP1006750	\$ 325,000.00	18HRP1157517	\$ 240,000.00
18HRP1009588	\$ 425,000.00	18HRP1158122	\$ 455,000.00
18HRP1022493	\$ 118,000.00	18HRP1163423	\$ 185,000.00
18HRP1029490	\$ 225,000.00	N/A	\$ 249,000.00
18HRP1032300	\$ 375,000.00	N/A	\$ 370,000.00
18HRP1040379	\$ 64,000.00	N/A	\$ 304,000.00
18HRP1045585	\$ 315,000.00	N/A	\$ 200,000.00
18HRP1051034	\$ 369,900.00	N/A	\$ 379,000.00
18HRP1051985	\$ 560,000.00	N/A	\$ 109,000.00
18HRP1052365	\$ 115,500.00	N/A	\$ 242,500.00
18HRP1054217	\$ 430,000.00	N/A	\$ 340,000.00
18HRP1055446	\$ 250,000.00	N/A	\$ 205,000.00
18HRP1060893	\$ 458,000.00	N/A	\$ 340,000.00
18HRP1064340	\$ 243,000.00	N/A	\$ 310,000.00
18HRP1069986	\$ 703,000.00	N/A	\$ 430,000.00
18HRP1073060	\$ 110,000.00	N/A	\$ 120,500.00
18HRP1074204	\$ 420,000.00	N/A	\$ 220,000.00
18HRP1078769	\$ 247,500.00	N/A	\$ 235,000.00
18HRP1079145	\$ 174,500.00	N/A	\$ 85,000.00
18HRP1087331	\$ 295,000.00	N/A	\$ 365,000.00
18HRP1088791	\$ 260,000.00	N/A	\$ 230,000.00
18HRP1094900	\$ 123,000.00	N/A	\$ 350,000.00
18HRP1095481	\$ 123,000.00	N/A	\$ 215,000.00
18HRP1099465	\$ 295,000.00	N/A	\$ 99,000.00
18HRP1101934	\$ 230,000.00	N/A	\$ 235,000.00
18HRP1102670	\$ 165,000.00	N/A	\$ 330,000.00
18HRP1112113	\$ 715,000.00	N/A	\$ 220,000.00
18HRP1112122	\$ 187,500.00	N/A	\$ 376,000.00
18HRP1118336	\$ 130,000.00	N/A	\$ 587,000.00
18HRP1120251	\$ 302,000.00	N/A	\$ 190,000.00
18HRP1121473	\$ 355,000.00	N/A	\$ 290,000.00
18HRP1121566	\$ 335,000.00	N/A	\$ 315,000.00
18HRP1121593	\$ 172,000.00	N/A	\$ 295,000.00
18HRP1121680	\$ 200,000.00	N/A	\$ 68,000.00
18HRP1124003	\$ 90,000.00	N/A	\$ 250,000.00
18HRP1124077	\$ 250,000.00	N/A	\$ 300,000.00
18HRP1124154	\$ 525,000.00	N/A	\$ 380,000.00
18HRP1127462	\$ 285,000.00	N/A	\$ 269,500.00
18HRP1129354	\$ 161,000.00	N/A	\$ 362,500.00
18HRP1132727	\$ 346,000.00	N/A	\$ 720,000.00
18HRP1134314	\$ 440,000.00	N/A	\$ 405,000.00
18HRP1134505	\$1,950,000.00	N/A	\$ 196,580.00
18HRP1135554	\$ 190,000.00	N/A	\$ 285,500.00
18HRP1135960	\$ 126,000.00	N/A	\$ 275,000.00
18HRP1143961	\$ 120,000.00	N/A	\$ 350,000.00
18HRP1144204	\$ 371,000.00	N/A	\$ 530,000.00
		N/A	\$ 255,000.00

(1) Forty-Four (44) of the mortgage loans represented by loan identifiers designated as “N/A” correspond to mortgage loans that are not included in the Reference Pool due to principal payments in full, delinquencies, removal as part of Freddie Mac’s quality control process and/or removal as part of the Third-Party Diligence Provider’s review process.

## Appendix F



### U.S. COMMODITY FUTURES TRADING COMMISSION

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Division of Swap Dealer and  
Intermediary Oversight

Gary Barnett  
Director

CFTC Letter No. 14-111  
No-Action  
August 25, 2014  
Division of Swap Dealer and Intermediary Oversight

Ellen Marks  
Latham & Watkins LLP  
233 South Wacker Drive, Suite 5800  
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Joylyn Abrams  
Office of General Counsel  
Federal Housing Finance Agency  
400 7th Street, S.W.  
Washington, D.C. 20024

**RE: Request for No-Action Relief from Commodity Pool Operator Registration for the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation**

Dear Ms. Marks and Ms. Abrams:

This letter is in response to your correspondence, dated July 29, 2013, Supplemental Statement, dated November 20, 2013, and multiple telephone conferences (the “Correspondence”) with staff of the Division of Swap Dealer and Intermediary Oversight (“Division”) of the Commodity Futures Trading Commission (“Commission”). In the Correspondence, the Federal Housing Finance Agency (“FHFA”), in its roles as regulator and conservator of the Federal National Mortgage Association (“Fannie Mae”) and the Federal Home Loan Mortgage Corporation (“Freddie Mac”), requests no-action relief on behalf of Fannie Mae and Freddie Mac from registration and regulation as commodity pool operators (“CPOs”). The no-action relief is requested in connection with a proposed risk-sharing initiative that would transfer mortgage credit risk from Fannie Mae and Freddie Mac to voluntary sophisticated institutional investors.

### Background

The Correspondence received by the Division made the following representations regarding the operation, structure, and regulation of Fannie Mae and Freddie Mac. Relief from CPO registration is requested for Fannie Mae and Freddie Mac, both of which are government-sponsored enterprises (“GSEs”) “chartered by Congress with a public mission to stabilize the nation’s residential mortgage markets and expand opportunities for home ownership and affordable rental housing.”<sup>1</sup> In furtherance of that mission, Fannie Mae and Freddie Mac

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<sup>1</sup> Letter from Ellen Marks on behalf of Fannie Mae and Freddie Mac, at 2 (Jul. 29, 2013) (“Relief Request”).



purchase residential mortgages and mortgage-related securities and then securitize them into mortgage-backed securities (“MBS”) that can be sold to investors, who include, among others, lenders, pension funds, insurance companies, securities dealers, and commercial and central banks. Both Fannie Mae and Freddie Mac guarantee payments of principal and interest on the MBS they issue, and thus each GSE bears the risk that the underlying mortgages it guarantees will not be repaid (“mortgage credit risk”).<sup>2</sup> More generally, Fannie Mae and Freddie Mac carry out their statutory missions only through activities authorized by and consistent with the Federal Housing Enterprises Financial Safety and Soundness Act of 1992<sup>3</sup> and their respective congressional charters.

The regulator and conservator of Fannie Mae and Freddie Mac, the FHFA was created by the Housing and Economic Recovery Act of 2008,<sup>4</sup> and is charged with providing effective supervision, regulation, and housing mission oversight of the GSEs as well as the Federal Home Loan Banks. The FHFA, a member of the Financial Stability Oversight Council, oversees the operations of Fannie Mae and Freddie Mac and through FHFA statutory authority, regulations, guidance, and orders, has the responsibility to ensure that they are operated in a safe and sound manner that is consistent with the public interest. This responsibility includes monitoring the GSEs’ capital and internal controls and assessing their exposure to various types of risk, including mortgage credit risk. The FHFA also has the responsibility to regularly examine the GSEs’ financial conditions and management practices, presenting and publishing the results of said examinations in an annual report to Congress.<sup>5</sup>

You state in the Correspondence that “establishing a path for shifting mortgage credit risk from [Fannie Mae and Freddie Mac] (and, thereby, [U.S.] taxpayers) to private investors is a central goal of the FHFA.”<sup>6</sup> Specifically, you are asking the Division for no-action relief for the transaction structure described below that is designed to shift mortgage credit risk from Fannie Mae and Freddie Mac to private investors through special purpose vehicles (“SPVs”). The SPVs themselves will be established in the form of an LLC, corporation, or trust, and will be operated by a third-party administrator or trustee, though the corresponding GSE will generally pay for costs related to the transaction and retain an ownership interest in the SPV.<sup>7</sup> In the Correspondence, you describe the “basic structure of the risk sharing initiative” as follows:<sup>8</sup>

- Each GSE designates a reference pool of loans and provides investors with a comprehensive offering memorandum, including detailed loan-level data about the underlying loans.

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<sup>2</sup> Relief Request, at 2-3.

<sup>3</sup> 12 U.S.C. § 4501 *et seq.*

<sup>4</sup> Pub. L. 110-289, 122 Stat. 2654 (enacted Jul. 30, 2008).

<sup>5</sup> Relief Request, at 2-3.

<sup>6</sup> *Id.* at 3.

<sup>7</sup> Letter from Ellen Marks on behalf of Fannie Mae and Freddie Mac, at 1 (Nov. 20, 2013) (“Supplemental Statement”).

<sup>8</sup> *See* Relief Request, at 3-4.

- Investors purchase fixed-income notes issued by the SPV. Potential purchasers are limited to sophisticated institutional investors.
- The SPV enters into a credit default swap agreement with the related GSE concurrently with the issuance of notes, by which the GSE agrees to pay a credit premium to the SPV and the SPV agrees to make payments to the GSE with respect to specified credit events<sup>9</sup> affecting loans in the reference pool. The swap agreement remains in place for the entire term of the related issuance and the SPV will enter into no additional swaps.
- When a credit event occurs, the SPV will make a payment to the GSE according to a fixed loss severity table that is based on historical loan performance data,<sup>10</sup> or on another basis as specified in the offering documents for the SPV. Any such payment to the Requesting Entity by the SPV will result in a corresponding reduction in the principal balance of the notes issued by the SPV.
- Loans exit the reference pool when they are paid in full or when a credit event occurs with respect thereto. No new loans are added to the reference pool at any time.
- The cash proceeds from the sale of the notes are invested in cash equivalents/high quality short-term liquid assets. The assets will collateralize the SPV's obligations to make payments of principal to noteholders and payments in respect of credit events to the GSE. Specifically, you have stated that each asset would have a maturity date no later than 60 days from its date of purchase, and that the assets would be limited to the following categories of investments ("Permitted Investments"):
  1. Obligations issued or fully guaranteed by the U.S. government or a U.S. government agency or instrumentality.
  2. General obligations of any State.
  3. Demand or time deposits, federal funds or bankers' acceptances of federal or state depository institutions or trust companies subject to supervision by federal or state banking authorities, provided the short-term deposits and/or long-term obligations or deposits of the depository institution or trust company are rated in the highest rating category by each applicable nationally recognized statistical rating organization ("NRSRO").
  4. Repurchase obligations with terms of 30 days or less involving any security described in #1 above and entered into with a depository institution or trust company (as principal) described in #3 above.

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<sup>9</sup> "Specified credit events include loans that become 180-days delinquent and loans less than 180-days delinquent that are resolved via short sales or deeds-in-lieu of foreclosure." Relief Request, at 3.

<sup>10</sup> "The loss percentages in the fixed severity table are structured to increase along with the percentage of the cumulative balance of the reference pool that has experienced a credit event." *Id.*

5. Commercial paper (i) issued by a qualifying commercial paper conduit (as defined under the Volcker Rule regulations) and (ii) that has a rating in the highest rating category by at least two NRSROs.
  6. Money market funds rated in one of two highest categories for long-term unsecured debt or in the highest category for short-term obligations by each applicable NRSRO.
- Investors receive a rate of return, which is paid (i) from the credit premium advanced by the related GSE under the swap agreement and (ii) from investment earnings on the collateral to the extent available. Principal on the notes (as may be reduced due to payments made by the SPV to the GSE in respect of credit events and the corresponding exit of the related loans from the reference pool) is returned as the reference pool amortizes, subject to specified bond performance triggers, using proceeds of the collateral.
  - Investors will in no event receive more than the stated maximum rate of return and the ultimate repayment of principal.
  - Investors will have access to historical data on a substantial portion of the related GSE's loan portfolio. The initial transaction will be structured to return full principal and interest to investors if credit events do not exceed assumed levels.<sup>11</sup>

The Correspondence further explains that the fixed-income notes to be offered will be high-yield debt securities offered and sold only to sophisticated investors pursuant to Rule 144A<sup>12</sup> and Regulation S<sup>13</sup> promulgated by the Securities and Exchange Commission. The Correspondence describes investor disclosures as “robust,” and “focus[ing] primarily on the fact that the notes are debt securities with a stated rate of return that create exposure to the credit risk of a pool of reference loans.”<sup>14</sup> Though the disclosures will not describe the SPVs as vehicles for trading in swaps or other commodity interests, the disclosures will discuss the fact that the risk transfer structure is dependent upon a swap transaction, as well as the material risks and characteristics of the swap.

Fannie Mae and Freddie Mac will also provide monthly reports on behalf of each SPV that will disclose payments made and received under the swap between the GSE and the SPV, payments made to investors, updated loan-level data with respect to the reference pool, the occurrence of any credit events with respect to the reference pool, the effect of those credit events on the SPV and the noteholders, and the current balance of the collateral at the end of the relevant month. Though the Correspondence generally talks about a single SPV structure, through discussions with Division staff, you have indicated that Fannie Mae and Freddie Mac anticipate eventually having multiple SPVs and corresponding note issuances. For each additional note issuance, there will be a single reference pool of mortgages for the life of the

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<sup>11</sup> *Id.* at 4-5; *see also* Supplemental Statement at 1.

<sup>12</sup> 17 CFR 230.144A.

<sup>13</sup> 17 CFR 230.901-230.905.

<sup>14</sup> Relief Request, at 5-6.

issuance, a single swap transaction transferring the mortgage credit risk from the GSEs to the noteholders, and all of the other characteristics described above will continue to apply.

## Legal Necessity of No-Action Relief from CPO Registration

Section 1a(10) of the Commodity Exchange Act (“CEA”), added by the Dodd-Frank Act of 2010, defines a commodity pool as “any investment trust, syndicate or similar form of enterprise operated for the purpose of trading in commodity interests,”<sup>15</sup> and this definition is identical to its regulatory counterpart, which was proposed and adopted in 1981.<sup>16</sup> From the time of the definition’s initial adoption in 1981, the Commission has declined to constrain the phrase “operated for the purpose of trading” to the narrowest of possible interpretations. The reasons that the Commission articulated for rejecting a narrow understanding of the phrase were grounded in its dual concerns for customer and market protection. The Commission noted in the Preamble to the 1981 rule that commenters were concerned that the definition was overly broad.<sup>17</sup> One commenter suggested a brightline percentage test as a function of commodity interests to other portfolio holdings to determine whether a collective investment scheme should be considered a pool. The Commission declined to set a specific percentage as a threshold over which an entity would be considered a commodity pool due to concerns that an entity which would not exceed the set trading level could still be marketed as a commodity pool to participants, who should still be afforded the protections under Part 4 of the Commission’s regulations.<sup>18</sup>

Several other commenters suggested that the definition should be narrowed to only those funds whose “principal purpose” was the trading of commodity interests. The Commission rejected that suggestion because it could “inappropriately exclude from the scope of Part 4 rules certain persons who are, in fact, operating commodity pools.”<sup>19</sup> Thus, the Commission recognized that there may be entities whose primary business focus may be outside the commodity interest sphere, yet may still have a significant exposure to those markets, which may implicate the Commission’s concerns regarding both customer and market protection. The rejection of the more narrow “principal purpose” language further operated as an additional indicator of the Commission’s broader understanding of the phrase “operated for the purpose of.”

The Commission recently affirmed and refined this interpretation in the preamble to the final rule entitled “Commodity Pool Operators and Commodity Trading Advisors: Compliance Obligations.”<sup>20</sup> Explaining its amendments to Commission Regulations 4.5 and 4.13(a)(3) to

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<sup>15</sup> CEA Section 1a(10), 7 U.S.C. 1a(10).

<sup>16</sup> See 17 CFR 4.10(d).

<sup>17</sup> 46 Fed. Reg. 26004, 26005 (May 8, 1981).

<sup>18</sup> *Id.*

<sup>19</sup> *Id.* at 26006. The Commission’s conclusion that commodity pools are not limited to those funds whose primary purpose is trading commodity interests is consistent with the Dodd-Frank Act’s recent amendments to the CEA in Section 4m(3). Section 4m(3) was amended to exempt certain commodity trading advisors (“CTAs”) from registration provided that their business does not primarily consist of acting as a CTA, and that the CTA does not serve as a CTA to a commodity pool that is engaged primarily in trading commodity interests. CEA Section 4m(3), 7 U.S.C. 6m(3). By its inclusion of commodity pools that engage primarily in trading commodity interests as a factor to differentiate between those CTAs required to be registered from those not required to register, this statutory exemption for CTAs recognizes that there may be entities that are properly considered commodity pools that are not engaged primarily in trading commodity interests.

<sup>20</sup> 77 Fed. Reg. 11252 (Feb. 24, 2012).



include swaps in the trading thresholds, the Commission stated, “any swaps activities undertaken by a CPO would result in that entity being required to register because there would be no *de minimis* exclusion for such activity. As a result, one swap contract would be enough to trigger the registration requirement.”<sup>21</sup> This statement is the Commission’s most recent guidance with respect to the relationship between an entity’s swaps activity and the requirement that its operator register with the Commission as a CPO.

The Correspondence states that the risk transfer structures will involve the establishment of an SPV that will hold an interest in a swap creating synthetic exposure to the risk of mortgage loans held or securitized by Fannie Mae and Freddie Mac. Therefore, the SPVs fall within the definition of “commodity pool” set forth in Section 1a(10) of the CEA.<sup>22</sup> That interpretation is consistent with the historical interpretation of the commodity pool definition. Notwithstanding the fact that the SPV(s) to be established in the manner described above is a commodity pool, the Correspondence requests that the Division grant no-action relief to Fannie Mae and Freddie Mac from CPO registration.

## Legal Analysis

The Division agrees that the SPV structure used to transfer the GSEs’ mortgage credit risk to investors is properly considered a commodity pool and, absent relief from the Division, the GSEs operating the SPV(s) would be required to register as CPOs. The Correspondence, however, requests no-action relief from registration, provided that the GSEs and their SPV structure substantially meet the conditions required for a CPO to be exempt from registration under Regulation 4.13(a)(3). Based on the foregoing representations and the legal analysis and conditions below, the Division will not recommend that the Commission take an enforcement action against Fannie Mae or Freddie Mac operating the SPV structure described above for failure to register as a CPO.

Regulation 4.13(a)(3)<sup>23</sup> contains four prongs an entity must meet in order to rely on the exemption:

- Interests in the pool are exempt from registration under the Securities Act of 1933, and such interests are offered and sold without marketing to the public in the United States;<sup>24</sup>

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<sup>21</sup> *Id.* at 11258.

<sup>22</sup> Relief Request, at 6.

<sup>23</sup> 17 CFR 4.13(a)(3).

<sup>24</sup> The Division notes that the Correspondence also requests relief from this general prohibition on marketing to the public, pursuant to the recent adoption by the Securities and Exchange Commission of rules relaxing its prohibitions on general solicitation in connection with Rule 144A and Regulation D offerings, as required by the JOBS Act of 2012. *See* Eliminating the Prohibition Against General Solicitation and General Advertising in Rule 506 and Rule 144A Offerings, 78 Fed. Reg. 44771 (July 24, 2013). The Division is not inclined to grant relief from the prohibition on marketing to the public in Regulation 4.13(a)(3)(i) at this time because Commission staff is still reviewing this rulemaking and determining what, if any, impact it may have on Commission regulations, and it is anticipated that this request will be addressed in forthcoming Division and/or Commission action.

- The pool at all times meets a *de minimis* test pursuant to which either (x) the margins, premiums and required minimum security deposit for retail forex transactions does not exceed 5% of the liquidation value of the pool's assets after giving effect to unrealized profits or losses or (y) the aggregate net notional value of the pool's commodity positions,<sup>25</sup> determined at the time the most recent position was established, does not exceed 100 percent of the liquidation value of the pool's portfolio, after taking into account unrealized profits and unrealized losses;
- The pool operator reasonably believes at the time of investment that each investor in the pool meets one of certain enumerated tests relating to the financial sophistication of the investor (e.g., accredited investor or qualified eligible purchaser); and
- Participations in the pool are not marketed as or in a vehicle for trading in the commodity futures or commodity options markets.

The GSEs state that the notes of the SPV will be sold pursuant to Rule 144A and Regulation S, making them exempt from Securities Act registration and, because the Division is not at this time considering relief from the general marketing prohibition pursuant to the JOBS Act, the notes will be sold without marketing to the public in the United States. Additionally, the notes will only be sold to sophisticated institutional investors that meet the accredited investor or qualified eligible purchaser standards.

The GSEs further describe the proposed transaction, stating that:

[t]he swap will be the vehicle through which the default and delinquency performance of the underlying mortgage loans (above certain levels) will be allocated to the fund, but the mortgage loans themselves (and not the swap) will be the primary source of potential losses. Aside from the agreed rate of return under the swap and any gains relating to the permitted investments in cash equivalents/high-quality short-term liquid assets, the fund will not have the opportunity for gains. We believe the allocation of losses through the swap is distinguishable from the circumstances in which futures, options and swaps transactions are entered into for the purpose of achieving trading profit. ... Investors will make an investment decision by evaluating the pool of mortgage loans and will consider the swap terms only as a means of understanding how payments are received by and how the performance of the underlying mortgages is allocated to the fund.<sup>26</sup>

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<sup>25</sup> If the stated notional amount of a swap is leveraged in any way or otherwise enhanced by the structure of the swap or the arrangement in which it is issued, the threshold calculation would be required to be based on the effective notional amount of the swap rather than on the stated notional amount.

<sup>26</sup> Relief Request, at 7.

The GSEs further represent that the notional amount of the swap between a GSE and the corresponding SPV will not exceed the amount of collateral raised from the sale of the notes and invested in the Permitted Investments by the vehicle. One of the *de minimis* tests in Regulation 4.13(a)(3) requires that the notional value of the commodity interest position, in this case a credit default swap, not exceed the liquidation value<sup>27</sup> of the pool's, in this instance the SPV's, portfolio. Due to the importance of the SPV's collateral in the cash flows from the SPV to the GSEs and to the noteholders, the list of Permitted Investments is restricted to short-term assets with typically high liquidity and very limited market value risk, making them easily convertible to cash when credit payments to GSEs or note payments to investors are necessary. The Division believes that the continual investment of the collateral in short-term assets with typically high liquidity and very limited market risk is integral to the representation by FHFA that the notional value of the swap will not exceed the value of the collateral.

As represented by the GSEs, when a specified credit event occurs requiring payment to the GSE, the SPV will liquidate enough of its collateral to provide the required credit coverage to the GSE, thereby reducing the funds available to repay the noteholders. Because the notional value of the swap will be reduced when defaulting mortgages exit the pool, and the assets held by the SPV will be liquidated to pay credit coverage to the GSE, thereby reducing the collateral as well, the GSEs state that the notional value of the swap should not exceed the liquidation value of the SPV's assets – in fact, the liquidation value of the SPV's assets will consistently be greater than or equal to the notional value of the swap.

A significant question is raised by the fourth prong of Regulation 4.13(a)(3). That prong requires that investments in the SPV not be marketed as or in a vehicle for trading in the commodity futures or commodity options markets.<sup>28</sup> In the same 2012 final rule amending part 4 of the Commission's regulations referenced above, the Commission also outlined several factors to be considered in a facts and circumstances analysis of whether or not an investment vehicle

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<sup>27</sup> The Division does not believe that the liquidation value of the pool should be reduced by the SPV's payment obligations to the noteholders in this instance because the credit default swap and the notes sold by the SPV are essentially off-setting cash flows. To the extent that the SPV is required to pay coverage to a GSE due to specified default events in the underlying pool of mortgages, the SPV's corresponding obligation to pay the principal and interest owed to the noteholders is equally reduced. The notes are not traditional debt in that repayment to the noteholders by the SPV is subject to the SPV's payment of losses on the underlying pool of mortgages held and guaranteed by the GSEs pursuant to the terms of the swap. This is, of course, by design – otherwise, there would be no actual transfer of the mortgage credit risk from the GSEs to the noteholders. For these reasons, in performing the test in Regulation 4.13(a)(3), the Division is considering the notional value of the swap versus the liquidation value of the assets held by the SPV, without reducing their value by the amount owed to its noteholders.

<sup>28</sup> As explained above, in 2012, the Commission, upon Division staff recommendations and consistent with the expansion by the Dodd-Frank Act of the Commission's jurisdiction to include swap transactions, added swaps to the transactions considered in the trading threshold calculations contained in Regulation 4.13(a)(3)(ii) by specifically referencing the term "commodity interest," which as defined in Regulation 1.3(yy) includes futures, options, and swaps. In order to consistently interpret the prongs of the exemption in Regulation 4.13(a)(3), Division staff similarly considers swaps added to the transactions listed in the marketing prong of that exemption, though the Commission has not yet explicitly amended Regulation 4.13(a)(3)(iv) to also include swaps.

has been marketed as a vehicle for trading in commodity interests.<sup>29</sup> Additionally, the Commission stated that “no single factor is dispositive.”<sup>30</sup>

Most of the seven factors are either irrelevant or inapplicable to the risk-sharing structure the Correspondence describes, with the exception of one: “Whether the futures/options/swap transactions engaged in by the fund or on behalf of the fund will directly or indirectly be its primary source of potential gains and losses.”

Because the single swap transaction between either Fannie Mae or Freddie Mac and the SPV is the mechanism for creating and transmitting the risk exposure in the risk-sharing structure, it is difficult to argue that the swap is not literally the primary source of investment gains and losses to investors. However, the Division believes that the factor needs to be considered in the context of the marketing condition. Thus, the Division is of the view that in the context of Regulation 4.13(a)(3) where the *de minimis* exposure is being satisfied, and when the swap is used as a mere conduit to transmit the risk of the reference assets to the protection sellers, the Division accepts the GSEs’ representations that the marketing efforts are focused on the risk of the reference assets rather than the risks and rewards of the swap. The Division expects, and the GSEs have represented, that appropriate disclosure will be provided to describe the effect of the swap’s risks and characteristics as such may affect the efficacy of the conduit between the reference assets and the counterparties. In contrast, when a swap creates other investment exposures for investors, whether through the provision of leverage or the transmission of other risks, the Division would assume that the swap itself must be marketed as part of the investment package in violation of the fourth prong.

In light of the foregoing considerations and representations, the Division agrees that “[i]nvestors will make an investment decision by evaluating the pool of mortgage loans and will consider the swap terms only as a means of understanding” how the SPV structure will pass any losses on the underlying assets from the GSEs to those investors. If the question was whether the vehicle was a commodity pool, the swap’s role in generating the investment exposure would be very material. However, here the issue at hand is the extent to which marketing of the swap is occurring. Importantly, the swap transaction, in this context, serves as the conduit for exposure to the mortgage credit risk of assets actually held by a counterparty to said swap, and the terms of the swap will not be a source of investment returns or losses beyond those directly correlated to the underlying mortgage loans, as there is no leverage embedded in the terms of the swap. Therefore, the Division does not believe that the presence of this swap should automatically result in the GSEs and SPV(s) violating the marketing restriction in Regulation 4.13(a)(3)(iv), consistent with the Commission’s previous statements.

Because Fannie Mae and Freddie Mac will have significant involvement in the operation of the SPV(s), through which they will ensure that the SPV(s) will continuously meet all other

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<sup>29</sup> Although the factors were enumerated by the Commission in the context of its revisions to Regulation 4.5, the Division believes that such factors are useful in determining whether a CPO has violated the terms of the marketing restriction in Regulation 4.13(a)(3)(iv) because the limitations in both regulations are substantially similar in scope and intent.

<sup>30</sup> 77 Fed. Reg. at 11259.

requirements set forth in Regulation 4.13(a)(3) and the representations described in this letter, and because Fannie Mae and Freddie Mac themselves are subject to comprehensive regulation by the FHFA, the Division has determined that it will not recommend to the Commission that it take an enforcement action against either Fannie Mae or Freddie Mac for their failure to register as CPOs, provided that they and their SPV(s) continue to meet the requirements of the exemption from CPO registration under Regulation 4.13(a)(3) as well as the conditions below:

1. The collateral, received by the SPV from the sale of notes to investors, will continually be invested in assets fitting one of the six categories outlined above in this letter, none of which will have a maturity date beyond 60 days from their date of purchase.
2. Any disclosure document circulated by or on behalf of Fannie Mae and Freddie Mac to potential and actual investors must indicate that they are not registered as CPOs with the Commission and are subject to the conditions of the no-action relief provided in this letter.
3. In the event of a bankruptcy proceeding involving the SPV, the exercise of any contractual right by Fannie Mae or Freddie Mac to cause the termination, liquidation, or acceleration of or to offset or net termination values, payment amounts, or other transfer obligations arising under or in connection with the swap agreement shall not be stayed, avoided, or otherwise limited, under applicable law.
4. The SPV will not engage in any additional commodity interest transactions beyond the swap transaction discussed herein.

This letter, and the positions taken herein, represent the view of this Division only, and do not necessarily represent the position or view of the Commission or of any other office or division of the Commission. The relief issued by this letter does not excuse the affected persons from compliance with any other applicable requirements contained in the Act or in the Commission's regulations issued thereunder. Further, this letter, and the relief contained herein, is based upon the representations made to the Division. Any different, changed or omitted material facts or circumstances might render this letter void. In this regard, you must notify the Division immediately in the event that the operations or activities of Fannie Mae or Freddie Mac or their SPV(s) change in any material respect from the representations above.



Ms. Marks and Ms. Abrams  
Page 12

Should you have any questions, please do not hesitate to contact Amanda Olear, Associate Director, at 202-418-5283 or aolear@cftc.gov, or Elizabeth Groover, Special Counsel, at 202-418-5985 or egroover@cftc.gov.

Very truly yours,

Gary Barnett

cc: Regina Thoele, Compliance  
National Futures Association, Chicago

## Appendix G<sup>(1)</sup>

### Former Appendix A to CFTC Part 4 Rules

#### APPENDIX A TO PART 4—GUIDANCE ON THE APPLICATION OF RULE 4.13(a)(3) IN THE FUND-OF-FUNDS CONTEXT

The following provides guidance on the application of the trading limits of Rule 4.13(a)(3)(ii) to commodity pool operators (CPOs) who operate “fund-of-funds.” For the purpose of this appendix A, it is presumed that the CPO can comply with all of the other requirements of Rule 4.13(a)(3). It also is presumed that where the investor fund CPO is relying on its own computations, the investor fund is participating in each investee fund that trades commodity interests as a passive investor, with limited liability (*e.g.*, as a limited partner of a limited partnership or a non-managing member of a limited liability company). Fund-of-funds CPOs who seek to claim exemption from registration under Rule 4.13(a)(1), (a)(2) or (a)(4) may do so without regard to the trading engaged in by an investee fund, because none of the registration exemptions set forth in those rules concerns limits on or levels of commodity interest trading. Persons whose fact situations do not fit any of the scenarios below should contact Commission staff to discuss the applicability of the registration exemption in Rule 4.13(a)(3) to their particular situations.

1. *Situation:* An investor fund CPO allocates the fund’s assets to one or more investee funds, none of which meets the trading limits of Rule 4.13(a)(3) and each of which is operated by a registered CPO. It does not allocate any of the investor fund’s assets directly to commodity interest trading.

*Application:* The investor fund CPO may claim relief under Rule 4.13(a)(3) provided the investor fund itself meets the trading limits of Rule 4.13(a)(3)(ii)(A).

2. *Situation:* An investor fund CPO allocates the fund’s assets to one or more investee funds, each having a CPO who is either: (1) itself claiming exemption from CPO registration under Rule 4.13(a)(3); or (2) a registered CPO that is complying with the trading restrictions of Rule 4.13(a)(3). It does not allocate any of the investor fund’s assets directly to commodity interest trading.

*Application:* The investor fund CPO may rely upon the representations of the investee fund CPOs that they are complying with the trading limits of Rule 4.13(a)(3).

3. *Situation:* An investor fund CPO allocates the fund’s assets to investee funds, each of which operates under a percentage restriction on the amount of margin or option premiums that may be used to establish its commodity interest positions (whether pursuant to Rule 4.12(b), Rule 4.13(a)(3)(ii)(A) or otherwise), by, *e.g.*, contractual agreement. It does not allocate any of the investor fund’s assets directly to commodity interest trading.

*Application:* The CPO of the investor fund may multiply the percentage restriction applicable to each investee fund by the percentage of the investor fund’s allocation of assets to that investee fund to determine whether the CPO is operating the investor fund in compliance with Rule 4.13(a)(3)(ii)(A).

4. *Situation:* An investor fund CPO allocates the fund’s assets to one or more investee funds, and it has actual knowledge of the trading limits and commodity interest positions of the investee funds, *e.g.*, where the CPO or one or more affiliates of the CPO operate the investee funds. (For this purpose, an “affiliate” is a person who controls, who is controlled by, or who is under common control with, the CPO.) It does not allocate any of the investor fund’s assets directly to commodity interest trading.

*Application:* The investor fund CPO may aggregate commodity interest positions across investee funds to determine compliance with the trading restrictions of Rule 4.13(a)(3). For this purpose, the aggregate assets of the investee funds would be compared to the aggregate of their commodity interest positions (as to

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<sup>(1)</sup> Former Appendix A was rescinded, along with Rule 4.13(a)(4) (which is referenced in Former Appendix A) in connection with certain modifications to the CFTC’s Part 4 rules adopted in 2012. As discussed in “*Certain Considerations relating to the Commodity Exchange Act*”, investors may continue to rely on Former Appendix A in certain circumstances.

margin or as to net notional value). The investor fund CPO should use the results of this computation to determine its compliance with the trading limits of Rule 4.13(a)(3).

5. *Situation:* An investor fund CPO allocates no more than 50 percent of the fund's assets to investee funds that trade commodity interests (without regard to the level of commodity interest trading engaged in by those investee pools). It does not allocate any of the investor fund's assets directly to commodity interest trading.

*Application:* The investor fund CPO may claim relief under Rule 4.13(a)(3).

6. *Situation:* An investor fund CPO allocates the fund's assets to both investee funds and direct trading of commodity interests.

*Application:* The investor fund CPO must treat the amount of investor fund assets committed to such direct trading as a separate pool for purposes of determining compliance with Rule 4.13(a)(3)(ii), such that the commodity interest trading of that pool must meet the criteria of Rule 4.13(a)(3)(ii) independently of the portion of investor fund assets allocated to investee funds.

## MORTGAGE LOAN PURCHASE AND SERVICING

### General

The following Annex details Freddie Mac purchase and servicing requirements generally and as they relate to Relief Refinance Mortgages funded from 2012 through March 2013. The Reference Obligations are evidenced by mortgage notes secured by first-lien mortgages loans. Each mortgage note and related mortgage loan are obligations of one or more mortgagors and require the related mortgagor to make monthly payments of principal and interest.

The Freddie Mac Act establishes requirements for and limitations on the mortgage loans that we may purchase, as described below. We purchase “single-family mortgages,” which are mortgage loans that are secured by one- to four-unit residential properties. The Freddie Mac Act places an upper limitation, called the “conforming loan limit,” on the original principal balance of mortgage loans we purchase. The conforming loan limit is determined annually based on changes in FHFA’s housing price index. Any decreases in the housing price index are accumulated and used to offset any future increases in the housing price index so that loan limits do not decrease from year-to-year. For 2017, the base conforming loan limit for a one-unit residential property was set at \$424,100.

The Reform Act permanently increased the conforming loan limits for mortgage loans originated in “high-cost” areas — where 115% of the median house price exceeds the otherwise applicable conforming loan limit. Under the Reform Act’s permanent “high-cost” area formula, the loan limit is the lesser of (i) 115% of the median house price or (ii) 150% of the conforming loan limit (currently \$625,500 for a one-family residence). The conforming loan limits are 50% higher for mortgage loans secured by properties in Alaska, Guam, Hawaii and the U.S. Virgin Islands.

The Freddie Mac Act also establishes original LTV limitations on the mortgage loans that we may purchase. The LTV is a ratio of (a) the total principal balance of a mortgage loan to (b) the value of the mortgaged property, as defined in the Guide, at origination. Under the Freddie Mac Act, we may not purchase a mortgage loan if, at the time of purchase, the outstanding principal balance of the mortgage loan exceeds 80% of the value of the mortgaged property unless we have one or more of the following credit protections, which are designed to offset any additional credit losses that may be associated with higher LTVs: mortgage insurance that is on the portion of the outstanding principal balance above 80% and is from a mortgage insurer that we determine is qualified; a seller’s agreement to repurchase or replace (for periods and under conditions as we may determine) any mortgage loan that has defaulted; or retention by the seller of at least a 10% participation interest in such mortgage loans. In connection with Relief Refinance Mortgages, if the mortgage loan being refinanced had mortgage insurance coverage at the time of refinancing, the same percentage of coverage must have been maintained for the Relief Refinance Mortgage on the entire unpaid principal balance; however, if the mortgage loan being refinanced did not have mortgage insurance coverage at the time of refinancing, then no mortgage insurance coverage was required for the Relief Refinance Mortgage even if the LTV ratio was greater than 80%.

In addition to the standards in the Freddie Mac Act, which we cannot change, we seek to manage the credit risk with respect to the mortgage loans we purchase through our underwriting and servicing standards reflected in the Guide. The Guide is our basic contract and provides the underwriting standards for loans acceptable for purchase by us. In addition, we detail our requirements for servicing mortgage loans in the Guide. The terms of the Guide are revised from time to time, usually several times a year, through bulletins to update the underwriting and servicing standards that govern our mortgage loans. The Guide, bulletins and other information about underwriting and servicing requirements can be accessed through [www.allregs.com](http://www.allregs.com) or [www.freddiemac.com](http://www.freddiemac.com) by clicking on “Doing Business with Freddie Mac” and then on “Single-Family-Forms and the Guide.” In addition, many of our sellers and servicers are provided negotiated TOBs, which may amend, waive or otherwise alter certain terms of the Guide. Negotiated TOBs are periodically reviewed and subject to change. We will not consider the impact to investors when approving, reviewing and changing any TOB.

We approve sellers and servicers of mortgage loans based on a number of factors, including their financial condition, operational capability and origination and servicing experience. In our standard application process we verify references and perform a background review, functional area reviews, such as quality control, originations and underwriting, servicing and privacy compliance prior to approving an entity as a seller or servicer. The seller or servicer of a mortgage loan need not be the originator of that mortgage loan.

We also employ quality control processes to manage our credit risk. Single-family mortgage credit risk is primarily influenced by the credit profile of the mortgagor (e.g., credit score, credit history, and monthly income relative to debt payments), documentation level, the number of mortgagors, the features of the mortgage loan itself, the purpose of the mortgage loan, occupancy type, the type of property securing the mortgage loans, the LTV of the mortgage loan, and local and regional economic conditions, including home prices and unemployment rates. Mortgage loans we acquire are evaluated by the applicable seller using several critical risk characteristics to determine the mortgagor's ability to repay the mortgage loan and the adequacy of the mortgaged property as collateral. Our quality control process is designed to determine, through a sampling of mortgage loans, whether the mortgage loans we purchased met the Guide and contract provisions under which they were delivered to us, as well as certain federal and state anti-predatory lending policies and our responsible lending policy (formerly known as our anti-predatory lending policy).

Summarized below are our general underwriting, servicing and quality control standards. See *“Risk Factors — Risks Relating to the Notes Being Linked to the Reference Pool — Underwriting Standards Used by Many of Our Sellers May be Less Stringent than Required by Our Guide”* and *“— Servicers May Not Follow the Requirements of Our Guide or TOBs, and Servicing Standards May Change Periodically”*.

### **Approved Sellers and Servicers**

We approve sellers and servicers of mortgage loans based on a number of factors, including their financial condition, operational capability and origination and servicing experience. In its standard application process, We verify references and performs a background review, functional area reviews, such as quality control, originations and underwriting, servicing and privacy compliance prior to approving an entity as a seller or servicer.

We acquire a significant portion of our mortgage loan purchase volume from several large sellers. Our top 10 mortgage loan sellers provided approximately 53% of our mortgage loan purchase volume during 2017. Wells Fargo Bank, N.A. accounted for 15% of our mortgage loan purchase volume.

### **Underwriting Standards**

We use a process of delegated underwriting for the mortgage loans we purchase. In this process, our contracts with seller/servicers describe mortgage underwriting standards and requirements, and the seller/servicers represent and warrant to us that the mortgage loans sold to us meet these standards and requirements. We detail our basic requirements for underwriting and selling mortgage loans to us in the Selling segment of the Guide. We employ numerous edits in our selling system to ensure that the mortgage loans delivered to us comply with the Freddie Mac Act and the credit requirements of the Guide, or if applicable, the credit requirements of the seller's contract with us.

Our Relief Refinance Program includes Relief Refinance Mortgages — Same Servicer and Relief Refinance Mortgages — Open Access. The underwriting requirements for Relief Refinance — Same Servicer were streamlined, in that, the mortgagor could be deemed in certain cases to be creditworthy based on the payment history of the mortgage loan being refinanced and not based on the underwriting criteria generally required for underwriting mortgages, such as credit scores, income, debt payment-to-income ratio or reserves. For Relief Refinance Mortgages funded prior to the 2012 changes, the mortgagor had to be current on his/her original mortgage with no 30 or more day delinquencies in the last 12 months, or if the mortgage was seasoned for less than 12 months, since the mortgage note date. For Relief Refinance Mortgages funded after the 2012 changes, at the time of purchase, the mortgagor had to be current on his/her original mortgage with no 30 or more day delinquencies in the most recent 6 months, and no more than one 30 or more day delinquency in the most recent 12 months, or if the mortgage was seasoned for less than 12 months, since the mortgage note date.



Unlike Relief Refinance Mortgages — Same Servicer, Relief Refinance Mortgages — Open Access were evaluated using our proprietary system, Loan Prospector, which is currently known as Loan Product Advisor<sup>SM</sup>. LP reviewed Relief Refinance Mortgages — Open Access and provided eligibility and underwriting feedback messages. Based on the LP evaluation, mortgage loans with an LP Caution risk class must have been manually underwritten and have met additional Guide eligibility requirements. Detailed requirements applicable to Relief Refinance Mortgages can be found in the Selling segment of the Guide that was applicable on the date that the particular Relief Refinance Mortgage was sold to us. See “*Risk Factors — Risks Relating to the Notes Being Linked to the Reference Pool — Mortgage Loans Originated under Our Relief Refinance Program Have Limited Underwriting*”.

Approximately 500 out of more than 1,100 active mortgage sellers approved by us are provided TOBs that may amend, waive or otherwise alter certain terms of the Guide. For our largest sellers, we negotiate custom contracts that incorporate the Guide and provide the seller with additional TOBs. We acquire mortgage loans under these forms of contracts on a daily basis in accordance with the terms contained in applicable agreements with sellers.

The following is a list of TOBs included in some seller contracts with respect to Relief Refinance Mortgages:

- 1) ***Relief Refinance Mortgages — Same Servicer originated by seller’s correspondents***: Allows seller to sell Relief Refinance Mortgages — Same Servicer that have been originated by correspondents, if the seller is the servicer of the current mortgage loan.
- 2) ***Age of HVE value point estimates for Freddie Mac Relief Refinance Mortgages***: In certain circumstances, increases the time period that a seller can use an HVE estimate from 120 days to 180 days.
- 3) ***Principal curtailments for Relief Refinance Mortgages***: If the amount of the mortgage loan proceeds applied toward the permissible uses described in the Guide exceeds the applicable amount limitations, the seller may apply the excess amount as a principal curtailment.

Prior to approving a TOB, we engage in a review process to assess potential implications and impacts of any proposed TOB to us. After approval of a TOB, we periodically review seller contracts and TOBs to determine if changes to the TOBs are needed. We also review the performance of the mortgage loans sold to us by sellers and may develop an action plan or take corrective action with respect to a specific seller, if needed. See “*Risk Factors — Risks Relating to the Notes Being Linked to the Reference Pool — Underwriting Standards Used by Many of Our Sellers May be Less Stringent than Required by Our Guide*”.

### ***The Application***

The information provided in each mortgage loan application is evaluated by LP or is manually underwritten to determine the appropriate credit decision and documentation requirements for the loan transaction. LP indicates the minimum income and asset verification, credit-related documentation and other requirements necessary to complete processing of the loan file. These requirements are based on the specific risk factors present in each mortgage loan application. If the mortgage loan does not receive an acceptable risk classification from LP, the mortgage loan must be manually underwritten in order for us to purchase it. Under the manually underwritten process an underwriter performs a risk assessment to determine whether the mortgage loan application meets the requirements of the Guide and any applicable TOBs. The underwriter may be an employee of the seller or may be an individual performing underwriting on a contract basis through a third-party firm such as a mortgage insurance company.

### ***Use of Credit Scoring***

Generally, we require a seller to obtain Credit Scores through credit bureaus when underwriting a mortgage loan. Credit Scores are a useful measure for assessing the credit quality of a mortgagor. Statistically, mortgagors with higher Credit Scores are more likely to repay or have the ability to refinance than those with lower Credit Scores. See “*Risk Factors — Risks Relating to the Notes Being Linked to the Reference Pool — Credit Scores May Not Accurately Predict the Likelihood of Default*”. There was no minimum credit score requirement for Relief Refinance Mortgages — Same Servicer, except in certain circumstances, including a refinance mortgage

loan for which the monthly payment was increasing by more than 20 percent. With respect to Relief Refinance Mortgages — Open Access designation, minimum credit score requirements were applicable for mortgage loans with a “Caution LP” risk class.

### ***Loan-to-Value Ratio***

As part of the underwriting evaluation, the LTV is calculated. The LTV is the ratio of (i) the original principal balance of the mortgage loan to (ii) the value of the mortgaged property, as defined in the Guide, determined at origination of the mortgage loan. Our LTV limits are based on the purpose, property type, occupancy and number of units. Prior to 2012, the Guide provided that the LTV for Relief Refinance Mortgages must not be greater than 125%. After the 2012 changes, there was no maximum LTV ratio for fixed-rate Relief Refinance Mortgages. Each Reference Obligation in the Reference Pool, as reported by the sellers, has an ELTV that is (i) greater than 60% and (ii) less than or equal to 200% or, if no ELTV, an OLTV greater than 60% and less than or equal to 200%.

We generally require an approved mortgage insurance policy for any mortgage loan that has an LTV in excess of 80%; however, for Relief Refinance Mortgages if the original mortgage loan being refinanced did not have mortgage insurance coverage, the new refinanced mortgage was not required to have mortgage insurance coverage. The value of a mortgaged property located in the State of New York, as used solely for determining whether mortgage insurance is required or should be canceled, is the appraised value of such mortgaged property on the date of the related mortgage note. Consequently, no mortgage insurance coverage will be shown for certain mortgaged properties located in the State of New York notwithstanding that we have calculated the corresponding LTV in excess of 80%. Certain other mortgage loans made to facilitate the sale of REO properties may also not carry mortgage insurance pursuant to the terms of applicable TOBs.

### ***Debt-to-Income Ratio***

As part of the underwriting evaluation, the applicant’s DTI ratio is generally calculated. However, for Relief Refinance Mortgages — Same Servicer, calculation of the DTI was not required except in certain circumstances, including a Relief Refinance Mortgage for which the monthly payment was increased by more than 20 percent, in which case the maximum DTI was 45 percent. For Relief Refinance Mortgages — Open Access with a “Caution LP” risk designation, the maximum DTI was 45 percent. Additionally, pursuant to the Guide, the lender’s calculation of DTI is dependent upon a number of factors. The lender’s decision to include or exclude any such factors in the calculation of the mortgagor’s total income or total debts will affect the DTI originally reported to us by the seller. Our subsequent review of any DTI may determine that the lender included or excluded certain factors that would have resulted in a higher or lower DTI calculation.

### ***Loans with Subordinate Financing***

Contemporaneously with the origination of the first lien mortgage loan, a mortgagor may have received one or more mortgage loans secured by the subject property in addition to the mortgage loan we purchased. These additional mortgage loans have subordinate priority to our mortgage loan with such mortgagor. First lien refinance transactions may have existing subordinate financing with the applicant that is resubordinated to the new first lien transaction or may have new subordinate financing originated simultaneously with the first lien mortgage loan. There were no maximum TLTV or HTLTV ratios for Relief Refinance Mortgages.

### ***Documentation***

In general, we require the seller to obtain verifications and documentation for each source of qualifying income and assets identified by the mortgagor in the application. Limited documentation was required for Relief Refinance Mortgages — Same Servicer because of the limited underwriting requirements for such mortgage loans. For instance, verification of funds and employment and income documentation was not required in certain instances. In contrast, Relief Refinance Mortgages — Open Access were documented in accordance with the LP Feedback documentation requirements. We allowed two levels of documentation for Relief Refinance Mortgages — Open Access: Streamlined Accept and Standard.

Streamlined Accept Documentation. A seller may follow this type of documentation procedure for mortgage loans that are evaluated by LP and receive a “Streamlined Accept Documentation”

designation. Under Streamlined Accept Documentation, qualifying income for a salaried mortgagor, for example, would require documentation that includes a verification of employment, a year-to-date paystub or evidence of thirty (30) days of income, and W-2 form(s) for the most recent year. For assets that are listed on the application and in a depository account the seller must provide either an account statement covering the most recent one month or a direct account verification if those assets are required to qualify the applicant for the mortgage loan. For mortgage loans evaluated by Desktop Underwriter® or another approved AUS, the seller may follow the documentation procedures required by the AUS, but such documentation procedures cannot be less stringent than our Streamlined Accept Documentation procedures.

*Standard Documentation.* A seller is required to follow this documentation procedure for all manually underwritten mortgage loans and for mortgage loans that are evaluated by LP and receive a Standard Documentation designation. Under Standard Documentation, for qualifying income for a salaried mortgagor, for example, the seller must provide documentation that includes a verification of employment, a year-to-date paystub or evidence of thirty (30) days of income, and W-2 form(s) for the most recent two years. For assets that are listed on the application and are in a depository account the seller must provide either an account statement covering the most recent two months or a direct account verification, if those assets are required to qualify the applicant for the mortgage loan.

### ***Collateral Valuation***

We require the seller to conduct a valuation of the mortgaged property as collateral for each mortgage loan. For Relief Refinance Mortgages — Same Servicer, originators had multiple options to determine the value of the mortgaged property. Originators could use either HVE data, provide a new appraisal of the property or a new AVM if permitted in the seller's purchase documents, or they could determine the property value using an appraisal or AVM from the mortgage loan being refinanced and make a representation and warranty that the value had not decreased since time of such appraisal or AVM was obtained. For mortgage loans with property values determined by an appraisal report where the mortgaged property is inspected by an appraiser, the value of the mortgaged property is estimated by the appraiser. For Relief Refinance Mortgages — Open Access, originators had two options to value the mortgaged property. The property value had to be determined by using HVE data or obtaining a new appraisal with an interior and exterior inspection. Generally, the seller selects and approves the appraisers used to conduct the valuation and represents and warrants that the appraisal services provided comply with the Uniform Standards of Professional Appraisal Practice, applicable laws, and our Guide and any applicable TOBs. Appraisers must be State-certified or State-licensed real estate appraisers in the State in which the mortgaged property is located, have knowledge and experience in appraising the property type in the market area and have access to the applicable data sources.

### ***Flood Determinations and Property Insurance***

Each mortgage loan is evaluated to determine if the mortgaged property is located in a federal flood zone. We require flood insurance on mortgaged properties in certain flood zones with an amount of coverage that meets or exceeds federal law requirements. Generally, evidence of acceptable property insurance coverage on the mortgaged property is a requirement for loan approval.

### ***Title Insurance***

Each mortgage loan that we purchase must be covered by either a fully paid mortgage title insurance policy meeting the requirements of the Guide or an attorney's title opinion or certificate meeting the requirements of the Guide. The title insurance policy must protect the mortgagee up to at least the original principal balance of the mortgage loans less capitalized costs. The title insurance policy must be written on an appropriate ALTA title insurance policy form. If required, the policy may include environmental protection lien endorsement coverage (ALTA Form 8.1 or its equivalent) excepting only superliens which may arise after the loan is made. Examples of superliens include liens for local real estate taxes, utilities and common interest association assessments, depending upon the jurisdiction wherein the mortgaged property is located. Common interest association liens are usually for an amount calculated by the number of months the mortgagor is delinquent in payment of the assessments. While some states do not allow common interest association superliens, most allow up to six

months of assessments and some allow up to eighteen months. Where a superlien exists and a mortgaged property is sold at foreclosure, the superlien takes priority over our first lien mortgage loans.

## **Servicing Standards**

### ***General***

“Servicing” includes all activities concerning the calculation, collection and processing of mortgage loans payments and related mortgagor inquiries, making servicing advances, foreclosing upon defaulted mortgage loans, as well as all mortgage loan administrative responsibilities, including claims collection, workouts, and reports and repurchasing mortgage loans for breaches of our Guide or other related purchase documents. For certain violations, in lieu of repurchasing the mortgage loan, servicers may correct the violation, compensate us for losses incurred and/or indemnify us for future losses. Servicing also includes remitting payments to us and various types of investor reporting. We detail our requirements for servicing mortgage loans in the servicing segment of the Guide and any applicable TOBs which may amend, waive or otherwise alter certain terms of the Guide. Generally, servicing requirements are revised on a bi-monthly basis, though more frequent updates may occur. These revisions to the servicing requirements are summarized in bulletins and generally result in updates to our Guide. The Reference Obligations will not be serviced differently from other mortgage loans that we own or guarantee. As a result, all such Guide revisions, except as modified by an applicable TOB, will apply to the Reference Obligations and other mortgage loans we own or guarantee. The descriptive summaries of our servicing standards contained in this Memorandum are not exhaustive but drawn from the Guide and applicable TOBs. See *“Risk Factors — Risks Relating to the Notes Being Linked to the Reference Pool — Servicers May Not Follow the Requirements of Our Guide or TOBs, and Servicing Standards May Change Periodically”*.

When a mortgage loan is sold to us it may be sold “servicing released”, wherein the seller assigns the servicing responsibilities related to the mortgage loan to another Freddie Mac-approved servicer, or “servicing retained”, wherein the seller agrees to service the mortgage loans for us in accordance with the Guide and any applicable TOBs. Servicers may, with our approval, assign the rights to service the mortgage loans to another Freddie Mac-approved servicer or engage a sub-servicer to perform its servicing obligations owed to us. We do not conduct servicing activities. With respect to any servicer, we retain the right to revoke, re-assign or terminate, in whole or in part, with or without cause, the servicer’s conditional contractual rights to service loans for us and to deny, a servicer’s request to transfer its conditional contractual rights to service mortgage loans, subject to the terms of the Guide and any TOBs applicable to a servicer.

The conditional contractual right to service a mortgage loan for us is referred to as a mortgage servicing right or “MSR”. There is a market for MSRs and they are commonly bought and sold between servicers. Under the Guide, servicers must obtain our prior written approval of any proposed sale of MSRs. We generally supervise and monitor servicer compliance with certain servicing functions required by our Guide and any applicable TOBs. Each servicer is required to perform all services and duties customary to the servicing of mortgages, either directly or through approved subservicers. We monitor a servicer’s performance through periodic and special reports and inspections.

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

The Guide and any applicable TOBs that may modify the terms of the Guide provide for the servicer to service and administer the mortgage loans in accordance with the Guide and applicable TOBs, including any and all applicable federal, state and local laws and the related loan documents. When our servicing requirements are revised in the Guide we publish a bulletin explaining the changes and detailing the revisions to the Guide. We will not consider the interests of Noteholders when revising the Guide or negotiating any applicable TOBs that may alter, amend or modify the Guide. The Guide, bulletins and other information about servicing practices and requirements can be accessed through [www.allregs.com](http://www.allregs.com) or [www.freddiemac.com](http://www.freddiemac.com). When our servicing requirements are revised by a TOB, those revisions are sent to each individual servicer to which the revisions apply.

The servicers are required to perform customary mortgage loan servicing functions, including:

- collection of payments from mortgagors and remitting payments to us;
- maintenance of primary mortgage and property insurance and filing and settlement of claims under those policies;
- maintenance of escrow accounts of some mortgagors for payment of taxes, insurance, and other items required to be paid by the mortgagors pursuant to terms of the related mortgage loan;
- processing of assumptions, substitutions, payoffs and releases;
- attempting to cure delinquencies and mitigate losses;
- supervising foreclosures or repossessions;
- inspection and management of mortgaged properties under certain circumstances; and
- maintaining and providing accounting records and reports relating to the mortgage loans.

The Guide also provides that a servicer may not solely target mortgage loans sold to us as part of a solicitation program of refinances. However, under current servicing requirements the servicers must engage in collection efforts with delinquent mortgagors no later than the 36th day of delinquency to attempt to resolve the delinquency by bringing the mortgage loan current. If these collection efforts are unsuccessful at resolving the delinquency, the servicer must, no later than the 45th day of delinquency, solicit such mortgagors to apply for mortgage assistance, such as a loan modification, to mitigate our potential losses in the event of foreclosure.

The servicer performs services for the benefit of itself and us but does not owe any duties or obligations to the Noteholders or to the Trust. Accordingly, none of the Transaction Parties will be able to cause the servicer to perform its obligations for the benefit of the Noteholders or enforce the Guide or any applicable TOBs on their behalf.

A significant portion of our mortgage loans are serviced by several large servicers. Because we delegate the servicing function to our servicers, if our servicers lack appropriate process controls, experience a failure in their controls, or experience an operating disruption in their ability to service mortgage loans, the Reference Obligations could be adversely affected. See *“Risk Factors — Risks Relating to the Notes Being Linked to the Reference Pool — The Performance of the Reference Obligations Could be Dependent on the Servicers”* and *“— The Performance of Sellers and Servicers May Adversely Affect the Performance of the Reference Obligations.”* The Reference Obligations also are exposed to the risk that servicers might fail to service mortgage loans in accordance with the Guide and any related TOBs, resulting in increased Credit Events and Modification Events (and possibly increased severity of losses on the Notes realized with respect thereto). For example, our servicers have an active role in our loss mitigation efforts, so if a servicer’s performance declines it could reduce the anticipated benefits of our loss mitigation requirements, which could result in Credit Events and Modification Events.

We generally oversee the servicer’s servicing of the mortgage loans according to the policies in our Guide and any applicable TOBs with certain servicers. To the extent that a servicer requests a waiver from a provision of the servicing requirements in the Guide or we initiate a pilot to test a servicing policy, we may permit such waiver, negotiate a voluntary TOB, or issue a mandatory TOB, which sets forth, among other things, the specific waiver or changes to servicing requirements and the goals or requirements for the servicer. These servicing TOBs may cover all of the mortgage loans (including Reference Obligations) serviced by that servicer or only selected portfolios. Some commonly issued TOBs:

- Allow or require the servicer to offer different loss mitigation options to mortgagors, such as a loan modification with terms that differ from our Guide-based modification programs;
- Provide enhanced functionality for transmitting servicing related documentation and information between the servicer and us;
- Specify conditions and fees for servicers to hold additional servicing capacity in order to accept additional MSR portfolios on an accelerated basis as needed;
- Allow us to take action if a servicer does not meet specified performance targets;



- Initiate pilot programs where we test a new servicing policy or procedure with a limited number of servicers or mortgagors before rolling it out to a larger population; and
- Permit limited exceptions to servicing requirements under special circumstances, such as to allow a servicer more time to implement a new policy or to quickly deploy a new program resulting from exigent circumstances, such as disaster recovery or relief.

We will not consider the interests of Noteholders in granting such waivers or implementing such policies. We do not permit waivers for servicing performance that jeopardize the first-lien position of the mortgage loan.

Servicers receive fees for their services. We generally require that servicers retain a minimum servicing fee of at least 0.25% per annum of the principal balance of the mortgage loans they service. We also pay special incentives for loss mitigation activities and reimburse servicers for certain expenses and advances made in connection with loss mitigation activities and default management. These incentive payments vary based upon the kind of activity, the rates of success and other factors.

There can be no assurance, and no representation is made, as to the actual performance of a servicer with respect to the Reference Obligations. The actual Credit Event and Modification Event experience on the Reference Obligations will depend, among other things, on the value of the mortgaged properties securing such Reference Obligations and the ability of mortgagors to make required payments. See *“Risk Factors — Risks Relating to the Notes Being Linked to the Reference Pool — The Performance of the Reference Obligations Could be Dependent on the Servicers.”*

### ***Mortgage Loan Life Cycle***

The servicer is required to service the mortgage loan from the date they sell the mortgage loan to us or the effective date of either the servicer’s agreement to assume the contractual right to service the mortgage loan from another servicer or the servicer’s contract that it enters into directly with us to service the mortgage loan without an assignment from another servicer (e.g., when the prior servicer’s servicing contract was cancelled or terminated) until the disposition of the mortgage loan. For performing mortgage loans, servicing activity concludes when the mortgage note is satisfied and the mortgaged property is released from the lien of the mortgage. For non-performing mortgage loans (i.e., a loan that is delinquent or is otherwise in default under the terms of the mortgage note at some point), the servicer must conduct additional activities including increased communications with the mortgagor, loss mitigation attempts and, if no resolution to the delinquency or default is reached, foreclosure. During these activities the servicer regularly reports to us the status of the mortgage loan and we conduct monitoring and auditing of the servicer. Below are general descriptions of our current policies and procedures relating to these activities. More detailed descriptions of these activities and future revisions to our requirements may be found in the Guide.

### ***Applicable Law***

If applicable federal, state or local law requires a servicer to engage in an activity that is inconsistent with the servicing requirements set forth in the Guide or any applicable TOB, our servicers are required to comply with applicable law. Servicers will not be in violation of any such inconsistent Guide or TOB requirements. We do not provide additional compensation to servicers for changes to applicable law.

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

The servicer generally will be required to make reasonable efforts to collect all payments called for under the mortgage loans and maintain contact with the mortgagor. The servicer is required to generally follow the same collection procedures that it uses for its own portfolio of mortgages so long as they are consistent with the Guide. It may charge the mortgagor for special services rendered, for example, sending a payoff statement or faxing an account history. The servicer may also waive late payment fees and service charges or, in certain cases, extend the due dates for payments due on a mortgage loan.



Under the Guide, the servicer, to the extent permitted by law, may establish and maintain an escrow in which mortgagors will be required to deposit amounts sufficient to pay taxes, assessments, mortgage and property insurance premiums and other comparable items. Withdrawals from an escrow account may be made to effect timely payment of taxes, assessments, mortgage and property insurance, to refund to mortgagors amounts determined to be overages, to pay interest to mortgagors on balances in that escrow account, if required, and to clear and terminate that escrow account. The servicer will be responsible for the administration of each escrow account required by the terms of the mortgage loans, the Guide and applicable law and generally will be obliged to make advances to those accounts when a deficiency exists in any of those escrow accounts.

### ***Property Insurance***

The Guide requires the servicer to ensure that a policy of property insurance covering the mortgaged property is maintained. The policy must be in an amount generally equal to the greater of the unpaid principal balance of the related mortgage loan or 80% of the full replacement cost of the insurable improvements, not to exceed the replacement cost of the insurable improvements even if the unpaid principal balance exceeds such replacement cost. There are special insurance requirements when the mortgaged property is a condominium or is located in a development governed by a common unit association. If the mortgagor does not voluntarily maintain a property insurance policy or allows his policy to lapse, the servicer must obtain replacement insurance, commonly known as “force placed insurance” or “lender placed insurance”. The premium for lender placed insurance is often significantly higher than the premium for the mortgagor’s voluntary policy. The costs for lender placed insurance are the responsibility of the mortgagor. However, if the mortgaged property does not reinstate and goes to foreclosure, the costs of lender placed insurance are often borne by us.

No earthquake or other additional insurance is to be required of any mortgagor or maintained on property acquired in respect of a mortgage loan, other than pursuant to applicable laws and regulations that are in effect and require such additional insurance. When a mortgaged property securing a mortgage loans is located in certain areas identified in the Federal Register by the Federal Emergency Management Agency as having special flood hazards (and flood insurance is available) the servicer may be required to cause to be maintained a flood insurance policy meeting the requirements of the current guidelines of the Federal Insurance Administration.

The Guide permits the servicer to obtain and maintain a blanket policy insuring against property losses on a PUD, in lieu of maintaining a property insurance policy for any mortgaged property in such PUD. This blanket policy may contain a deductible clause. The ability of the servicer to ensure that property insurance proceeds are appropriately applied may be dependent on its being named as an additional insured under any property insurance policy and under any flood insurance policy referred to above, or upon the extent to which information in this regard is furnished to the servicer by mortgagors.

### ***Default Management***

The servicer is required to develop, follow and maintain prudent and efficient written procedures that meet our requirements under the Guide and any applicable TOBs that may modify the terms of the Guide for promptly curing defaults and delinquencies and complying with applicable laws. The servicer is required to employ an experienced and skilled staff in financial counseling and mortgage collection techniques. Servicers may also hire subservicers, subject to obtaining our written approval, which may be specialty servicers and vendors, to conduct these activities and, in some circumstances, we may require the servicer to do so if it reasonably believes that the servicer is not adequately equipped to conduct default servicing and loss mitigation. We allow the servicer to grant a grace period of fifteen days after the due date in which a mortgagor can make a monthly payment without incurring a penalty or late charge. In addition, a mortgage loan is not considered delinquent unless a full monthly payment has not been received by the close of business on the last day of the month of the due date. For example, a mortgage loan with a due date of May 1 is considered delinquent if a full monthly payment is not received by May 31. Late charges are generally assessed after the due date at the expiration of a grace period, if applicable. There are situations, based on the customer or account circumstances, where servicers are required to waive a late fee. Late fees are retained by the servicer as additional income.

The servicer is required by the servicing requirements to contact a delinquent mortgagor early in the delinquency process and throughout the delinquency cycle in order to mitigate the risk of default. The servicer

objective in contacting the mortgagor or the mortgagor's trusted advisor (e.g., housing counselor) is to establish quality right party contact to discuss with the mortgagor the most appropriate options for resolving the delinquency. The servicer must make every attempt to achieve right party contact to (a) determine the reason for the delinquency and whether it is temporary or permanent in nature, (b) determine the mortgagor's ability to repay, (c) set payment expectations and educate the mortgagor on alternatives to foreclosure and (d) obtain a commitment from the mortgagor to resolve the delinquency through traditional or alternative solutions.

Loan workout activities are a key component of our loss mitigation strategy for managing and resolving troubled assets and lowering credit losses. We emphasize early intervention by servicers in delinquent mortgage loans and provide a suite of alternatives to foreclosure. We provide our servicers default management tools designed to help them manage delinquent mortgage loans and mortgage loans where, even if current, loss of the property is likely or default is imminent due to a mortgagor hardship that make future payments on the mortgage loan unlikely or impossible. Our goal is to assist mortgagors in maintaining home ownership where possible, or facilitate foreclosure alternatives when continued homeownership is not an option. We require our servicers to follow a standardized protocol of workout options with the intention of determining and delivering the right kind of assistance needed to resolve the particular mortgagor's distress and minimize losses. Our loan workouts include:

- *Forbearance agreements*, where reduced payments or no payments are required during a defined period, generally one year or less. Forbearance agreements provide additional time for the mortgagor to resolve a hardship, such as unemployment or a disaster, before undertaking efforts to return to compliance with the original terms of the mortgage loan or to implement another loan workout. For forbearance agreements completed in 2017, the average time period for reduced or suspended payments was between three and four months.
- *Full Reinstatement*, where the mortgagor restores a delinquent mortgage loan to current status by paying any delinquent amounts in one lump sum payment.
- *Partial Reinstatement*, where the mortgagor makes a lump sum payment to cover some, but not all, past due amounts. A partial reinstatement is typically followed by a repayment plan.
- *Repayment plans*, which are contractual plans to make up past due amounts where the mortgagor pays more than the contractually due monthly payment until the delinquency is cured. These plans assist mortgagors in returning to compliance with the original terms of their mortgage loan. For repayment plans completed in 2017, the average time period to repay past due amounts was between three and four months.
- *Loan modifications*, where one or more terms of the mortgage loan are changed, such as increasing the unpaid principal balance of the mortgage loan by capitalizing outstanding indebtedness, such as delinquent interest, changing the interest rate, extending the term and/or a combination of these changes. We also may grant partial principal forbearance in connection with loan modifications. Principal forbearance is a change of a mortgage loan's terms to designate a portion of the principal of such mortgage loan, that is due and payable at the earlier of the sale or transfer of the mortgaged property, payoff of the interest-bearing principal balance or the (modified) maturity date, as noninterest-bearing and non-amortizing. We have several loan modification programs as detailed in the Guide.
- *Flex Modification* where a mortgage loan may be modified up to three times under our "Flex Modification" program. Our Flex Modification employs a *trial* period payment plan feature, which allows eligible mortgagors to make the new modified monthly payment for at least three months to ensure that the mortgagor can afford the new payment. While the mortgagor is making the trial period payments, the mortgage loan may remain in a delinquent status. The mortgage loans will not be permanently modified and brought current until the end of the trial period and only if the mortgagor has otherwise complied with the terms of the trial period plan. A Flex Modification may be made from the time the mortgagor is current and found to be in imminent default to shortly before foreclosure sale. We also offer a streamlined Flex Modification to mortgagors who are 90 or more days delinquent or who have a step-rate mortgage loan and have become 60 or more days delinquent

within 12 months of the related step-rate payment adjustment. Under the streamlined offer for the Flex Modification program, the servicer may offer the mortgagor a loan modification (preceded by a three-month trial period plan) without having made an assessment of the mortgagor's hardship or income. If the mortgagor accepts the offer, the mortgagor will be required to make payments that approximate the new modified monthly payments for at least three months to ensure that the mortgagor can afford the new payment. While the mortgagor is making the trial period payments the mortgage loan will remain in a delinquent status. The mortgage loan will not be permanently modified and brought current until the end of the trial period and only if the mortgagor has otherwise complied with the terms of the trial period plan.

- *Disaster-Related Modifications* are limited to mortgagors that became delinquent because their home or place of employment was impacted by an eligible disaster and is located in an eligible disaster area. Servicers may consider such mortgagors for this modification once their hardship has been resolved if they were current or less than 31 days delinquent as of the date of the disaster, are between 29 and 361 days delinquent (i.e., at least one, but no more than 12 monthly payments, are past due) at the time of evaluation and are able to resume making their contractual payments, but are unable to make their mortgage loan current through a reinstatement or repayment plan. The disaster-related modifications listed below will not take effect and the mortgage loan will not be brought current until the mortgagor makes three trial period plan payments and otherwise complies with the terms of the trial period plan. While the mortgagor is making the trial period payments, the mortgage loan will remain in delinquent status, but the servicer must not report the delinquency to credit repositories while the mortgagor is on an active trial period plan.
- *Extend Modification.* Servicers must first consider such mortgagors for our "Extend Modification", under which the servicer does not capitalize arrearages, but rather extends the mortgage loan term by a number of months equal to the number of missed monthly payments that occurred during the mortgagor's preceding disaster forbearance plan. To the extent the servicer advanced escrow payments to a third party on behalf of the mortgagor and the mortgagor had not made such escrow payments to the servicer, the mortgagor must enter into a 60-month repayment plan to repay such advances in equal monthly installments to the servicer.
- *Disaster Relief Modification.* If a mortgagor is not eligible for the Extend Modification, the servicer must next evaluate the mortgagor for the Freddie Mac "Disaster Relief Modification". Under this modification, the servicer capitalizes arrearages and then extends the term of the mortgage loan in monthly increments until the monthly principal and interest due under the modified terms equals the pre-modification monthly principal and interest due. The servicer may not extend the term more than 480 months from the modification effective date. The servicer must evaluate the mortgagor for a Flex Modification if they are unable to achieve the pre-modification monthly payment by extending the term of the mortgage loan to the 480- month limit.
- *Short sales* allow the mortgagor to sell the mortgaged property to an unrelated third party for an amount that is insufficient to pay off the mortgage loan in full. Under our standard short sale program we have delegated to servicers the authority to approve short sales if the short sale generates certain minimum net proceeds and, under some circumstances, the mortgagor makes a cash or note contribution to reduce the losses on the mortgage loan. When an approved short sale is complete the mortgage note is cancelled, the lien for the mortgage is released and the mortgagor may be paid an amount to assist with relocation. In most cases, after completion of an approved short sale the mortgagor has no further obligation to make payment under the mortgage note. We have one primary short sale program as detailed in the Guide that is available to provide relief for mortgagors in different circumstances. Short sales may be approved from the time the mortgagor is current and found to be in imminent default to shortly before foreclosure sale. We offer a streamlined short sale to mortgagors who are 90 or more days delinquent and either have a Credit Score below 620 or have had the mortgage debt discharged in bankruptcy.

- *Deeds in lieu* of foreclosure are processed similar to a short sale except that the mortgaged property is not sold to a third party but is conveyed directly to us. We offer both standard and streamlined versions of a deed-in-lieu foreclosure transaction.
- *Mortgage assumption* is where a new party assumes the obligations of the mortgagor under the mortgage note and may be performed in connection with a loan modification. The servicer evaluates the new party for his/her ability to pay the mortgage loan before allowing the assumption; however, with respect to a simultaneous assumption and loan modification, the ability to pay assessment is based on the modified loan terms and less stringent underwriting criteria than would be required in connection with an assumption of a mortgage loan unaccompanied by a modification.

Generally if a loan workout has not been reached by the 120<sup>th</sup> day of delinquency, the servicer is required to accelerate payment of principal from the mortgagor and initiate foreclosure proceedings with respect to a mortgage loan in accordance with the provisions of the Guide. However, we also require the servicer to continue to pursue loss mitigation alternatives to resolve the delinquency before the conclusion of the foreclosure proceedings, if such measures appear likely to mitigate potential losses. If, after demand for acceleration, a mortgagor pays all delinquent amounts, agrees with us to accept an arrangement for reinstatement of the mortgage loan or arranges for the sale or conveyance of the mortgaged property to a third party or us, the servicer may terminate the foreclosure proceedings and withdraw the demand. If the mortgagor again becomes delinquent, the servicer generally will make a new demand for acceleration commence new foreclosure proceedings.

In recognition of the fact that mortgage loans that are delinquent are at higher risk for abandonment by the mortgagor, and may also face issues related to the maintenance of the property, we have developed guidelines for servicers when inspecting properties for which a monthly payment is delinquent. Depending on various factors, such as the ability to contact the customer, the delinquency status of the account, and the property occupancy status, a servicer may hire a vendor to inspect the related property to determine its condition. If the inspection indicates the property is vacant and abandoned and in need of property safeguarding measures, such as securing or winterizing, the servicer will ensure the appropriate safeguards are implemented in accordance with industry, legal and investor standards including our allowable expense limits.

**Bankruptcy.** When a mortgagor files for bankruptcy, the servicer's options for recovery are more limited. The servicer monitors bankruptcy proceedings and develops appropriate responses based on a variety of factors, including: (i) the chapter of the United States Bankruptcy Code under which the mortgagor filed; (ii) federal, state and local regulations; (iii) determination-of-claim requirements; (iv) motion requirements; and (v) specific orders issued through the applicable court. In general, when a mortgagor who has filed for bankruptcy protection becomes delinquent or defaults under the terms of the mortgage note, we instruct our servicers to engage counsel to file a motion for relief from stay that will allow the servicer to commence foreclosure proceedings. Servicers report information about mortgagors and mortgage loans affected by a bankruptcy proceeding to us on a periodic basis.

**Foreclosure.** The terms of the mortgage note, mortgage loan and state law provide us the right to commence a proceeding against the mortgagor to foreclose on the mortgage loan and/or enforce the mortgage note. The servicer is responsible for most aspects of foreclosure beginning with sending appropriate pre-foreclosure notices, referring the mortgage loan to foreclosure counsel or a trustee, instructing and supervising foreclosure counsel or the trustee during the foreclosure process and participating in the foreclosure sale. If a third-party purchases the mortgaged property at the foreclosure sale, the servicer has the responsibility for remitting the foreclosure sale proceeds to us. If the servicer bids at the foreclosure sale in an amount as instructed by us and is the winning bidder, then the servicer is responsible for securing a deed providing clear title to the mortgaged property and presenting the property to us for intake into our REO inventory. Various federal and state laws have recently been enacted that add new requirements to the pre-foreclosure and foreclosure process which may make foreclosure more costly, lengthy and, in some cases, may render us unable to conduct a foreclosure altogether. These laws may negatively affect the Reference Obligations.

***Charge-off.*** Our Guide provides that a servicer must make a recommendation to us that a mortgage loan be charged-off instead of pursuing foreclosure in various situations, including when there is an extraordinary risk of liability if we become the owner of the property. We will review such recommendations and determine whether to charge-off the mortgage loan. If a charge-off is approved, we will also determine whether to release the lien of the mortgage loan.

### ***Mortgage Insurance Claims***

If a mortgage loan is covered by mortgage insurance and there is a loss resulting from a foreclosure sale, short sale, or the acceptance of a deed in lieu of foreclosure, we will file a claim with the applicable mortgage insurer and manage the payment process thereof. The servicer, in support of our claim filing, is required to provide to the mortgage insurer all information and documentation pertaining to the claim no later than 60 days after the foreclosure sale, short sale or acceptance of a deed in lieu of foreclosure, or within any shorter time frame as specified by the mortgage insurance master policy or us. Certain mortgage insurers may not pay claims on time or may make reduced payments due to financial impairment. If the mortgage insurer reduces or denies the claim due to the servicer's actions, or inaction, the servicer is required to reimburse us for the reduced amount of the claim, or the entirety of the claim in the event of a claim denial.

### ***Servicing Alignment Initiative and Making Home Affordable Programs***

We participate in the Making Home Affordable program sponsored by the United States Department of the Treasury and the Conservator, under which HARP was introduced. A portion of the mortgage loans in the Reference Pool are HARP mortgage loans. Our loss mitigation programs and workout options detailed in the Guide and TOBs are similar to several Making Home Affordable programs and provide a robust suite of alternatives to foreclosure.

In 2012, we began implementing and continue to implement the FHFA-directed servicing alignment initiatives, under which we and Fannie Mae are aligning certain standards for servicing non-performing mortgage loans owned or guaranteed by us and Fannie Mae. We believe that the servicing alignment initiative will continue to: (a) change, among other things, the way servicers communicate and work with troubled mortgagors; (b) bring greater consistency and accountability to the servicing industry; and (c) help more distressed homeowners avoid foreclosure. We have provided standards to our servicers under this initiative that require them to initiate earlier and more frequent communication with delinquent mortgagors, employ consistent requirements for collecting documents from mortgagors, and follow consistent timelines for responding to mortgagors and for processing foreclosures. These standards have resulted in greater alignment of servicer processes.

Under these new servicing standards, we pay incentives to servicers that complete certain workout options in compliance with the applicable Guide and TOB requirements.

### ***Monitoring Servicing Performance, Freddie Mac Servicer Success Program***

The servicer must report regularly to us on servicing activities related to the mortgage loans it is servicing. The servicer must report, among other things, adverse matters, charge-offs approved by us, reports to credit repositories, foreclosures, monthly delinquencies, real-estate owned repurchases and transfers of ownership. The servicer is instructed to deliver an annual officer's certificate to us, on or before the date specified in the Guide and any applicable TOBs, stating that (i) a review of the servicer's activities during the preceding calendar year and of its performance under the Guide has been made under the supervision of the officer, and (ii) to the best of the officer's knowledge, based on that review, the servicer complied with the Guide in all material respects throughout the year, or, if the servicer failed to comply with the Guide in any material respect during that year, specifying the failure known to the officer and the nature and status of that failure and the action proposed to be taken with respect thereto.

We have established a program to monitor and improve servicing performance. The purpose of the program is to encourage communication with and improve performance of our servicers. We have established an internal unit to support the program and assigned account managers to provide individualized attention to their assigned servicer or group of servicers. This unit also collects information about servicer performance, from both internal



and external sources, and regularly assesses this data. Default servicing and management is one of their primary focuses and servicers are continuously monitored based upon various metrics. We collect and synthesize this data which measures a servicer's performance based on key criteria in two categories: investor reporting and default management.

We also conduct file reviews of some servicers, both remotely and in the servicers' offices, in order to assess servicing and default management performance. These file reviews are in addition to credit and compliance reviews of the mortgage loans we undertake as part of our quality control process. See "*— Quality Control Process*" below. We may conduct the following types of file reviews:

- **Prudent Servicing Review:** An assessment of the servicer's collection activities, loss mitigation activities, timeline management, and property preservation processes.
- **Short Sale Compliance Review:** An assessment of the servicer's compliance with the requirements of the Guide, and TOBs, as applicable, regarding completed short sales.
- **Loan Modification Compliance Review:** An assessment of the servicer's compliance with the requirements of the Guide and TOBs, as applicable, regarding completed modifications.

We may modify or expand the types of file reviews it conducts from time to time. No assurances are made that any of the mortgage loans will be subject to such a review.

We consider factors such as trends in performance, adequacy of staffing, audit results, the results of the Servicer Success Scorecard, Servicer Success File Reviews, and/or compliance with the servicing requirements in evaluating whether the servicer's overall performance is unacceptable for purposes of continued eligibility as an approved servicer. If a servicer's overall ranking in the default management category is in the bottom 25% of ranked servicers in the servicer's rank group based on results from our Servicer Success Scorecard, the servicer is presumed to have an unacceptable Servicer Success Scorecard result. If a servicer's overall performance is deemed unacceptable or a servicer does not meet the goals set forth in a TOB, we may terminate, servicing with such servicer, either partially or in full, and with or without cause. Under our Servicing Success Program we evaluate a servicer's performance with respect to all mortgage loans that such servicer services on behalf of Freddie Mac and will not separately measure performance with respect to the Reference Obligations serviced by such underlying servicer. In general, we work with servicers to develop policies and controls to improve servicing. If servicing, in whole or in part, is removed from a servicer, we have the discretion to determine if, and to what extent, that servicer may return to servicing mortgage loans under our Guide in the future. See "*Risk Factors — Risks Relating to the Notes Being Linked to the Reference Pool —Servicing Transfers May Result in Decreased or Delayed Collections and Credit Events*".

### ***Servicer Termination***

We may terminate all or any portion of servicing by a servicer at any time with cause or without cause. Moreover, we may change our policies in the future with respect to servicing events that could lead to servicer termination. The reasons for terminating with cause include, but are not limited to, insolvency or bankruptcy, failure to maintain qualified servicing staff, the servicer's failure to comply with any term of the Guide and applicable TOBs, our determination that the servicer's overall performance is unacceptable, the servicer's failure to fulfill any obligation to us when due, an unacceptably high delinquency rate, an unacceptably high REO conversion rate, the servicer's failure to account for disposition of all monies and the servicer's misstatement, misrepresentation or omission of any material fact on any document submitted or oral representation made.

### ***Servicing Quality Assurance***

As part of our on-going servicing monitoring practices, for a sample of mortgage loans we have purchased, we conduct loan file reviews to evaluate our servicers' compliance with our requirements for managing delinquent loans and workout alternatives. Our file reviews are used to assess the servicer's collection activities, loss mitigation activities, timeline management, property preservation processes and/or compliance with Guide requirements for short-sales or completed loan modifications. Upon completion of the file review, we will provide our conclusions, including any defects, in writing to the applicable servicer. In the event we discover



non-compliance with our requirements, we may pursue available remedies for such non-compliance. Remedies may include partial recovery of damages, indemnifications, repurchases and make-wholes.

## **Quality Control Process**

### ***General***

When we purchase a mortgage loan, we rely on representations and warranties of the seller with respect to certain matters. These representations and warranties cover such matters as:

- The accuracy of the information provided by the mortgagor.
- The accuracy and completeness of any information provided by a seller to us.
- The validity of each mortgage loan as a first lien.
- The fact that payments on each mortgage loan are current at the time of delivery to us.
- The originator's compliance with applicable federal, state and local laws, including state responsible lending statutes and other applicable laws.
- The seller/servicers' compliance with our purchase agreements, including the Guide and any applicable TOBs.

Our custodians check certain stated terms of the mortgage loan documents, but we generally do not independently verify the terms in the mortgage loan security documents. Moreover, our quality control processes are not designed to uncover all violations of applicable representation and warranties related to the Reference Obligations. See *"Risk Factors — Risks Relating to the Notes Being Linked to the Reference Pool — Our Limited Review of a Sample of a Small Percentage of the Reference Obligations May Not Reveal All Aspects Which Could Lead to Increases in the Principal Loss Amounts and Modification Loss Amounts Allocated to the Notes"*.

### ***Performing Loan Quality Control Review***

As part of our on-going quality control process, for a sample of Relief Refinance Mortgages we have purchased, we review the mortgagor's origination documentation for compliance with the Guide and any applicable TOBs. We also compare certain seller delivered data elements against the origination documentation for loans in the quality control sample. If data discrepancies are identified, the applicable mortgage loans are reviewed to determine the impact of the adjusted data to the adherence of the mortgage loans to our requirements. Some data discrepancies may cause the mortgage loans to have Unconfirmed Underwriting Defects. The most common Underwriting Defects found in the reviews of Relief Refinance Mortgages related to loan amounts exceeding the maximum allowable loan amount. We give our seller/servicers an opportunity to appeal Unconfirmed Underwriting Defects in response to our request for the repurchase of any mortgage loan.

### ***Performing Loan Quality Control Review Sampling***

Each month we select a sample of the mortgage loans we acquired in the previous month in order to conduct a quality control review of performing mortgage loans. We use statistical sampling techniques to enable reliable estimates of the share of acquired loans that may be subject to Underwriting Defects. We also use supplemental targeted sampling to focus on loan attributes or sellers that may be of particular interest or concern from time to time. We also review a sample of the mortgage loans we acquired in the previous month to monitor compliance with legal and regulatory requirements pertaining to high-cost home loans. We conduct our review to verify that each mortgage loan reviewed (i) is made to a mortgagor from whom repayment of the mortgage loan can be expected and (ii) is secured by collateral that supports the value and marketability of the mortgaged property.

### ***Credit Review***

With respect to each mortgage loans selected for the sample, files are sent to vendors to reverify factual information and then the files are placed in a queue for review. All mortgage loans reviewed are compared

against the underwriting standards set forth in the Guide and any applicable TOBs in effect at the time of purchase by us. This type of review is referred to as the “credit review” of mortgage loans and includes a credit and valuation component.

### ***Responsible Lending Review***

Some mortgage loans are selected for responsible lending reviews, and are reviewed to assess whether those mortgage loans were originated in compliance with our responsible lending policy. Our responsible lending policy prohibits us from purchasing mortgage loans that have certain unacceptable terms and conditions (such as prepayment penalties, mandatory arbitration clauses and single premium credit life insurance). In addition, our policy prohibits us from purchasing mortgage loans designated as “high-cost,” “high-risk” or similar mortgage loans in identified states that impose assignee liability for violations of laws governing high cost home loans and mortgage loans. Our compliance review does not include examination of documents to ensure that the loan complies with all laws. This type of review is referred to as the “compliance review”. Mortgage loans that violate our charter or responsible lending policy are required to be repurchased by the applicable seller.

Reviewed mortgage loans that revealed Unconfirmed Underwriting Defects and Underwriting Defects were excluded from the Reference Pool. We may make contract exceptions for mortgage loans with minor technical violations or missing documentation that, notwithstanding the related violations, we determine to be acceptable mortgage loans.

Investors should note that only those mortgage loans selected as part of the sample as described above are subject to any credit or compliance review as part of our quality control review and that mortgage loans not selected as part of the sample as described above are not the subject of a credit or compliance review. See “— *Limitations of the Quality Control Review Process*” below and “*Risk Factors — Risks Relating to the Notes Being Linked to the Reference Pool — Our Limited Review of a Sample of a Small Percentage of the Reference Obligations May Not Reveal All Aspects Which Could Lead to Increases in the Principal Loss Amounts and Modification Loss Amounts Allocated to the Notes*”.

### ***Non-Performing Loan Quality Control Review***

As part of our loss mitigation efforts, we perform a review of certain mortgage loans that become delinquent or, enter foreclosure and/or foreclosure alternative for compliance with the applicable contract guidelines relating to seller representation and warranty requirements in place at the time the loans were purchased by us. In this transaction, we may, in our sole discretion, examine through our non-performing loan quality control process, Credit Event Reference Obligations. See “*Risk Factors — Risks Relating to the Notes Being Linked to the Reference Pool — Our Review of Reference Obligations That Become Credit Event Reference Obligations May Not Result in Reversed Credit Event Reference Obligations*”. Our non-performing loan reviews are conducted to verify that the applicable mortgage loan or Credit Event Reference Obligation (i) is made to a mortgagor from whom repayment can be expected, (ii) is secured by collateral that is adequate for the transaction and (iii) otherwise complies with our underwriting guidelines and other requirements set forth in our Guide and any applicable TOBs. For the mortgage loans selected to be reviewed or the Credit Event Reference Obligations reviewed, the loan files are sent to vendors to reverify factual information and then placed in a queue for review. All mortgage loans or Credit Event Reference Obligations reviewed are compared against the underwriting standards set forth in the Guide and any applicable TOBs in effect at the time of purchase by us. This review includes a credit and valuation component and captures the names of the parties to the mortgage loan transactions to ensure that none appear on the exclusionary list. Repurchase requests are sent by us to applicable sellers or servicers on those mortgage loans or Credit Event Reference Obligations that are deemed to have Unconfirmed Underwriting Defects, including any party on the exclusionary list. See “*Risk Factors — Risks Relating to the Notes Being Linked to the Reference Pool — Our Review of Reference Obligations That Become Credit Event Reference Obligations May Not Result in Reversed Credit Event Reference Obligations*”.

### ***Limitations of the Quality Control Review Process***

As noted above under the Risk Factor captioned “*Risks Relating to the Notes Being Linked to the Reference Pool — Our Limited Review of a Sample of a Small Percentage of the Reference Obligations May Not Reveal All Aspects Which Could Lead to Increases in the Principal Loss Amounts and Modification Loss Amounts Allocated to the Notes,*” there can be no assurance that our review uncovered all relevant factors relating to the origination of the Reference Obligations, the originator’s compliance with applicable law and regulations and the property valuation relating to the mortgaged properties, or uncovered all relevant factors that could affect the future performance of the Reference Obligations. We reviewed a small percentage of the Reference Obligations (which limited review may not detect all Unconfirmed Underwriting Defects for loans that were reviewed) and the Reference Obligations that were included in the review may have characteristics that were not discovered, noted or analyzed as part of the review that could, nonetheless, result in those Reference Obligations failing to perform in the future. Furthermore, even if Unconfirmed Underwriting Defects are detected, we may or may not pursue remedies against the related seller or servicer based on a variety of factors, which may not, at our sole discretion, consider the interest of Noteholders.

Investors are encouraged, in particular, to note the following with respect to the property valuation review that was conducted as part of our review.

Differences may exist among and between estimated valuations due to the subjective nature of estimated valuations and appraisals, particularly between different AVMs, appraisers estimating valuations or performing appraisals at different points in time, as well as among appraisers and other persons reviewing the appraisals or other valuations.

Appraisals and other valuations represent the analysis and opinion at the time it is prepared, and are not guarantees of, and may not be indicative of, the present or future value of the mortgaged property.

Investors are encouraged to make their own determination as to the extent to which they place reliance on the limited loan review procedures carried out on only a small percentage of the Reference Obligations as part of our review.

### ***Repurchases***

To the extent that we determine that the origination of a mortgage loan has an Unconfirmed Underwriting Defect relating to a representation or warranty given by a seller, the applicable seller or servicer generally will be obligated to repurchase the mortgage loan within (60) days after the date of our notice of such defect. We are not required, however, to enforce the repurchase obligation of the seller or servicer.

Upon receipt of a repurchase notice, the seller or servicer may file an appeal if it has additional supporting information and/or documentation that may affect our decision. The appeal must be filed within 60 days from the date of our notice requiring repurchase. We review the appeal and advise the seller/servicer in writing of the appeal decision. If we deny the appeal, the seller or servicer must repurchase the mortgage loan within 15 days from the date of our denial letter. A second appeal is permitted within those 15 days if the seller/servicer is able to provide new documentation to support its contention that the mortgage loan complies with the contract. We may use discretion to make exceptions to the number of appeals and timelines when there are extenuating circumstances. After exhausting all available appeals, a seller may request an impasse discussion with our quality control management personnel to get a final repurchase resolution. Any repurchase decision upheld by our management requires sellers to remit repurchase funds or be subjected to late fees and/or other remedies.

Even if we conclude that there was a breach of a representation and warranty, we cannot assure you that the seller or servicer will ultimately agree with our determination and repurchase the related Reference Obligation from us or that we will recover any amounts from such seller or servicer. In addition, it may be difficult, expensive, and time consuming to legally pursue a repurchase claim against a seller or servicer and we cannot assure you that we would prevail on the merits of any such claim. Efforts to enforce a repurchase claim may lead to further disputes with some of our seller/servicers and counterparties that may result in further litigation and any potential recoveries may take significant time to realize. Investors in the Notes are also subject to the risk that sellers or servicers do not fully perform or cannot fully perform any repurchase obligations.

### ***Quality Assurance***

We perform a quality assurance review on a small percentage of the mortgage loans that we review in our quality control process. This secondary review is performed to evaluate the quality and consistency of the quality control underwriters' decisions and processes with our credit policies and procedures and the Guide and any applicable TOBs and to provide internal feedback regarding the effectiveness, interpretation and enforcement of policies. In addition to ensuring that the mortgage loans were properly underwritten in accordance with our policies and procedures and the seller's purchase documents, we review data input for accuracy, verify documentation, confirm compliance with our responsible lending policy and evaluate remedies taken for mortgage loans for which problems were discovered in the quality control process. The results of our quality assurance review could lead to changes in our quality control processes. To the extent our quality assurance review identifies an Unconfirmed Underwriting Defect on any mortgage loan, we may demand that such mortgage loan be remedied or repurchased. However, we cannot assure you that the seller will ultimately remedy or repurchase any mortgage loan with an Unconfirmed Underwriting Defect.

### ***Data Reconciliations***

We routinely monitor the integrity of data reported to us by the sellers of the mortgage loans, resulting in the periodic identification of loans or groups of loans that may contain incorrectly reported data. We pursue a reconciliation of such data with its sellers to resolve these potential discrepancies. To the extent we reach an agreement with its sellers regarding potential discrepancies, the data is updated by the sellers through a post-funding correction.

### ***Representation and Warranties Settlements***

In recent years, we have entered into settlements with certain sellers to resolve existing and potential representation and warranties repurchase claims on portfolios of mortgage loans sold to us and may do so in the future. Any such settlement could involve potential representation and warranties claims on Reference Obligations. These settlements typically require us to release the applicable seller from certain repurchase obligations for violations of the Guide and applicable TOBs. Accordingly, we generally will not submit for quality control review any mortgage loans that become subject to such settlement. See "*Risk Factors — Risks Relating to the Notes Being Linked to the Reference Pool — The Performance of Sellers and Servicers May Adversely Affect the Performance of the Reference Obligations*".

## **REO Disposition**

### ***General***

HomeSteps® is our sales unit responsible for marketing and selling REO homes. HomeSteps' mission is to effectively manage our credit losses through effective and responsible REO management strategies while stabilizing home values and supporting communities. REO property performance goals focus on achieving a balance between financial recovery, timelines, our mission, FHFA regulatory and conservator housing policies and reputation. In an effort to maximize financial recovery and reduce liability risks, HomeSteps outsources almost all activities to third-party vendors.

### ***The REO Intake Process***

After a foreclosure sale is reported to us, property information is sent to HomeSteps and proprietary business systems assign an outsourced vendor, which assigns a listing broker to the property according to their geographical coverage area and available capacity. Once the listing broker accepts an assignment, they will perform an initial assessment of the property's condition and occupancy status.

### ***Redemption and Confirmation Periods***

Initial activities on an REO property depend upon whether the former mortgagor has a post-sale right to redeem. Approximately half of all states have a redemption period during which the former owner may pay us an amount calculated by statute to "redeem" the REO, i.e., regain title to the property. The amount paid by the

former owner usually corresponds to the sales price at foreclosure or the total indebtedness owed to us, depending upon the state. During the redemption period the former owner may have the right to occupy and rent the REO property to third parties, which can lead to increased levels of damage to the REO property and heighten the chances that an eviction will be necessary. However, in some states HomeSteps is able to take immediate possession of the REO property and sell it during the redemption period. The listing broker is assigned to perform periodic drive-by inspections, and HomeSteps or its vendors monitor the property status based upon these inspections. A key goal is to shorten the redemption period if the property is voluntarily vacated prior to the end of the redemption period. If the property is determined to be abandoned, we will seek to have the redemption rights waived through the local courts. Once the redemption period expires and the property is released, the same disposition process used for properties in non-redemption states is followed. Some states may also have a confirmation period during which the former owner may contest the foreclosure sale before a court declares the sale to be final or “confirmed.” Confirmation periods range from several weeks to months. Depending upon the state, HomeSteps may not have title or possession of the REO property during the confirmation period.

### ***Preservation & Maintenance***

After a property comes into HomeSteps’ inventory and is free from any applicable redemption or confirmation periods, the assigned listing broker checks the condition and the occupancy status of the property. If the property is occupied, the property is referred to an eviction team and the assigned attorneys begin the eviction process. If the property is vacant, the listing broker will initiate the initial cleaning and securing of the property to prepare it for market. Listing brokers are required to inspect the properties weekly to ensure HomeSteps’ adequate preservation and maintenance standards are being applied consistently and monitor for any changes to the properties. We also use national inspection companies to conduct additional property inspections each month.

### ***Rental Management/Eviction***

If properties are occupied, the occupants may be provided with options including the opportunity to accept relocation assistance (Cash for Keys) or to participate in the REO Rental Program (for qualified occupants to remain in qualified properties). When there are tenants with a valid existing lease, HomeSteps may be required by applicable state or local law to accept the existing lease or work with the tenants to establish a new Freddie Mac lease agreement. We may be able to market the property during the tenancy. As a matter of policy, HomeSteps continues to abide substantially with the terms of the federal Protecting Tenants at Foreclosure Act even though such law has lapsed and also complies with similar applicable state laws.

If the occupant must be evicted, HomeSteps works with the assigned attorney to initiate the eviction process. The Cash for Keys program may be utilized to encourage the occupants to vacate in return for a cash payment to assist them in their relocation.

### ***Title***

Upon foreclosure, servicers are required to deliver a property with clear and marketable title to us. HomeSteps works to ensure that we have clear title to REO properties by working with external service providers to proactively resolve identified title issues so that the property is sold with clear and insurable title. Title is generally cleared prior to listing the property for sale; however, some complex title issues are submitted to HomeSteps to work with the servicer to buy back the property.

### ***Property Valuation and Disposition***

When we have the legal right to access the property, the assigned listing broker will determine occupancy status and alert us to any damage that may be covered by a hazard insurance policy that was in place prior to the vacancy of the REO property. Our property valuation utilizes a variety of inputs, such as one or more BPOs or an appraisal. HomeSteps monitors daily performance, as well as overall trends in the valuation performance for the entire portfolio of REO properties owned by us. Once we have established the estimated value, a marketing strategy and budget is developed for the property.



To establish an estimated market value for an REO property, HomeSteps currently utilizes a valuation process requiring at least three opinions of value: (i) a BPO from the listing broker, (ii) a second independent BPO from a national valuation vendor and (iii) an automated value from HVE. Based on the variance between the two BPOs and HVE, our proprietary valuation methodology calculates the estimated market value. However, if the variance is excessive, HomeSteps may either order an appraisal of the property by a licensed appraiser or conduct a desktop review to determine the estimated market value of the property. Validation processes are in place to achieve the final estimate of fair market value in an effort to reflect the most probable price which a property should bring in a competitive and open market under all conditions requisite for a fair sale, assuming that the buyer and seller each act prudently and knowledgeably, and that the price is not affected by undue stimulus.

### ***Special Sales Programs***

HomeSteps maintains several special programs to encourage owner-occupants to purchase its' REO property. The "First Look" program allows potential owner occupants and non-profit organizations to make offers on the REO property for the first 20 days (30 days in Nevada, Cook County, Illinois and the City of Detroit, Michigan) the REO property is listed for sale without competition from investor buyers. During the First Look period HomeSteps will not consider offers from buyers seeking to acquire the REO property for investment purposes. While HomeSteps will accept the highest and best offer received during the First Look period, the decrease of competitive bidders may lead to the REO property being sold at prices that are less than could have been gained if investors' offers had been considered.

HomeSteps has an agreement with the National Community Stabilization Trust wherein it will allow non-profit organizations and local governments to inspect and submit offers to purchase the REO property before the REO property is inspected and listed for sale. In these cases the REO property is sold to NCST participating buyers at a discount to estimated fair market value.

HomeSteps also maintains a "Borrower Buy-Back" program wherein certain former owners or non-profit organizations acting on behalf of a former owner may purchase the REO property. The former owner agrees to occupy the REO property and not to re-sell it for at least one year. When a non-profit organization purchases the REO property it agrees to re-sell the REO property to the former owner or rent the REO property to the former owner for at least one year. In each case, the REO property may be sold with incentives and discounts that result in the sales price below its fair market value.

HomeSteps refers REO properties that are difficult to market using the traditional retail channel to one of several auction companies. The resulting auctions may occur before the REO property has been referred to a listing broker and may not have been fully inspected before being offered for auction. Auction sale prices may be lower than the fair market value of the REO property but disposition of the REO property is usually faster than a retail sale.

### ***Repurchase***

In the event that the seller/servicer did not properly originate or service the mortgage loan according to the Guide, we may require the seller/servicer to repurchase the mortgage loan or REO property, make us whole on any losses, and/or indemnify us against future losses associated with the mortgage loan or REO property. A demand for repurchase may be issued for several reasons, including: non-marketable title issues, mortgage insurance/hazard insurance policies prematurely cancelled or premiums not paid, improper foreclosure and various collateral issues (i.e. environmental, encroachments, ingress/egress, etc.).



