



# Freddie Mac

## Mortgage Participation Certificates

### Mortgage Participation Certificates

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

### Freddie Mac’s Guarantee

We guarantee the payment of interest and principal on the PCs as described in this Offering Circular. **Principal and interest payments on the PCs are not guaranteed by and are not debts or obligations of the United States or any federal agency or instrumentality other than Freddie Mac.** We alone are responsible for making payments on our guarantee.

### Tax Status and Securities Law Exemptions

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

**The PCs may not be suitable investments for you. You should not purchase PCs unless you have carefully considered and are able to bear the associated prepayment, interest rate, yield and market risks of investing in them. The *Risk Factors* section beginning on page 13 highlights some of these risks.**

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

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

Each Pool Supplement and Additional Supplement contains information on a pool-level basis as of the date of the issuance of the related PCs. For the convenience of investors, we may post Additional Supplements on our internet website and furnish them upon request. We have not verified the information in Additional Supplements and make no representations or warranties concerning the accuracy or completeness of that information.

You can find additional and updated information about our PCs on our internet website at [www.freddiemac.com/mbs](http://www.freddiemac.com/mbs). We have not authorized anyone to provide you with different information. Any information that may be furnished to you by a third party may not be reliable.

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

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

## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>	<u>Description</u>	<u>Page</u>
Freddie Mac . . . . .	3	Prepayments . . . . .	47
General . . . . .	3	Yields . . . . .	51
Conservatorship . . . . .	3	Suitability . . . . .	54
Our Initiatives Under the Making Home		The Trust Agreement . . . . .	54
Affordable Program . . . . .	5	Transfer of Mortgages to PC Pool . . . . .	55
Additional Information . . . . .	8	Repurchase and Substitution of Mortgages . . . . .	55
Summary . . . . .	9	Collection and Other Servicing Procedures . . . . .	56
Risk Factors . . . . .	13	Certain Matters Regarding Our Duties as	
Application of Proceeds . . . . .	24	Trustee . . . . .	57
Description of the Mortgages . . . . .	24	Events of Default . . . . .	57
General . . . . .	24	Rights Upon Event of Default . . . . .	57
Fixed-Rate Mortgages . . . . .	24	Control by Holders and Voting Rights . . . . .	58
Adjustable Rate Mortgages (ARMs) . . . . .	25	Amendment . . . . .	58
ARM Indices . . . . .	27	Tax Information . . . . .	59
Special Mortgage Characteristics . . . . .	28	Termination . . . . .	59
Mortgage Purchase and Servicing Standards . . . . .	32	Various Matters Regarding Freddie Mac . . . . .	59
Description of the PCs . . . . .	38	Governing Law . . . . .	60
General . . . . .	38	Certain Federal Income Tax Consequences . . . . .	60
PC Pool Formation . . . . .	38	General . . . . .	60
General Pooling Criteria . . . . .	39	Tax Status . . . . .	60
Pooling Criteria for Mortgages with Special		Buydown or Extended Buydown Mortgages . . . . .	61
Characteristics . . . . .	40	Discount and Premium . . . . .	61
Pool Factors and Monthly Reporting Periods . . . . .	40	Application of the Stripped Bond Rules . . . . .	63
Payment Dates . . . . .	42	Backup Withholding, Foreign Withholding and	
Payments of Principal . . . . .	42	Information Reporting . . . . .	64
Payments of Interest . . . . .	43	ERISA Considerations . . . . .	65
Record Dates . . . . .	44	Legal Investment Considerations . . . . .	66
Final Payment Date . . . . .	44	Accounting Considerations . . . . .	66
Guarantees . . . . .	44	Distribution Arrangements . . . . .	66
PC Pool Expenses . . . . .	45	Secondary Markets, Mortgage Security Performance	
Compensation of Servicers and Freddie Mac . . . . .	45	and Market Support Activities . . . . .	67
Pool Supplements . . . . .	45	Certain Relationships and Transactions . . . . .	68
Monthly Reporting of Pool-Level Data . . . . .	46	Appendix I — Index of Terms . . . . .	I-1
Loan-Level Data . . . . .	46	Appendix II — Frequently Used PC Prefixes . . . . .	III-1
Form of PCs, Holders and Payment Procedures . . . . .	46	Appendix III — Example Pool Supplement . . . . .	III-1
Prepayment, Yield and Suitability Considerations . . . . .	47	Appendix IV — Terms Used in Pool Supplements . . . . .	IV-1

## FREDDIE MAC

### General

Freddie Mac was chartered by Congress in 1970 under the Federal Home Loan Mortgage Corporation Act (the “**Freddie Mac Act**”) to stabilize the nation’s residential mortgage markets and expand opportunities for homeownership and affordable rental housing.

Our statutory mission is to provide liquidity, stability and affordability to the U.S. housing market. We fulfill our mission by purchasing residential mortgages and mortgage-related securities in the secondary mortgage market and securitizing them into mortgage-related securities that can be sold to investors. We purchase single-family and multifamily mortgage assets for our mortgage-related investments portfolio. We also purchase multifamily residential mortgages in the secondary mortgage market and securitize those loans or hold them either for investment or sale. We finance purchases of our mortgage assets and manage our interest-rate and other market risks, primarily by issuing a variety of debt instruments and entering into derivative contracts in the capital markets.

Although we are chartered by Congress, we alone are responsible for making payments on our securities. Neither the U.S. government nor any agency or instrumentality of the U.S. government other than Freddie Mac guarantees our securities and other obligations.

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

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

### Conservatorship

The Federal Housing Finance Regulatory Reform Act of 2008 (the “**Reform Act**”) became law on July 30, 2008 and was effective immediately. The Reform Act established the Federal Housing Finance Agency (“**FHFA**”) as an independent agency with general supervisory and regulatory authority over Freddie Mac. FHFA assumed the duties of our former regulators, the Office of Federal Housing Enterprise Oversight and the U.S. Department of Housing and Urban Development (“**HUD**”), with respect to safety, soundness and mission oversight of Freddie Mac. HUD remains our regulator with respect to fair lending matters.

We continue to operate under the conservatorship that commenced on September 6, 2008, conducting our business under the direction of FHFA as our conservator (the “**Conservator**”). Upon its appointment, FHFA, as Conservator, immediately succeeded to all rights, titles, powers and privileges of Freddie Mac and of any stockholder, officer or director of Freddie Mac with respect to us and our assets, and succeeded to the title to all books, records and assets of Freddie Mac held by any other legal custodian or third party. During the conservatorship, the Conservator has delegated certain authority to our Board of Directors to oversee, and to management to conduct, day-to-day operations so that Freddie Mac can

continue to operate in the ordinary course of business. There is significant uncertainty as to whether or when we will emerge from conservatorship, as it has no specified termination date, and as to what changes may occur to our business structure during or following our conservatorship, including whether we will continue to exist. Our future structure and role are currently being considered by the Obama Administration and Congress. We have no ability to predict the outcome of these deliberations. While we are not aware of any current plans of our Conservator to significantly change our business model or capital structure in the near-term, there are likely to be significant changes beyond the near-term that we expect to be decided by the Obama Administration and Congress.

On February 11, 2011, the Obama Administration delivered a report to Congress that lays out the Administration's plan to reform the U.S. housing finance market, including options for structuring the government's long-term role in a housing finance system in which the private sector is the dominant provider of mortgage credit. The report recommends winding down Freddie Mac and the Federal National Mortgage Association ("**Fannie Mae**"), stating that the Obama Administration will work with FHFA to determine the best way to responsibly reduce the role of Freddie Mac and Fannie Mae in the market and ultimately wind down both institutions. The report states that these efforts must be undertaken at a deliberate pace, which takes into account the impact that these changes will have on borrowers and the housing market.

The report states that the government is committed to ensuring that Freddie Mac and Fannie Mae have sufficient capital to perform under any guarantees issued now or in the future and the ability to meet any of their debt obligations, and further states that the Obama Administration will not pursue policies or reforms in a way that would impair the ability of Freddie Mac and Fannie Mae to honor their obligations. The report states the Obama Administration's belief that under the companies' senior preferred stock purchase agreements (with respect to the agreement, as amended, with Freddie Mac, the "**Purchase Agreement**") with the U.S. Department of the Treasury ("**Treasury**"), there is sufficient funding to ensure the orderly and deliberate wind down of Freddie Mac and Fannie Mae, as described in the Administration's plan.

On September 7, 2008, Treasury entered into the Purchase Agreement with our Conservator, acting on our behalf, and made a commitment to provide up to \$100 billion in funding (subsequently increased to \$200 billion), under certain conditions, to eliminate deficits in our net worth. The Purchase Agreement provides that the \$200 billion cap on Treasury's funding commitment will increase as necessary to accommodate any cumulative reduction in our net worth during 2010, 2011 and 2012. If we do not have a capital surplus (*i.e.*, positive net worth) at the end of 2012, then the amount of funding available after 2012 will be \$149.3 billion (\$200 billion funding commitment reduced by cumulative draws for net worth deficits through December 31, 2009). In the event we have a capital surplus at the end of 2012, then the amount of funding available after 2012 will depend on the size of that surplus relative to cumulative draws needed for deficits during 2010 to 2012, as follows:

- If the year-end 2012 surplus is lower than the cumulative draws needed for 2010 to 2012, then the amount of available funding is \$149.3 billion less the surplus.
- If the year-end 2012 surplus exceeds the cumulative draws for 2010 to 2012, then the amount of available funding is \$149.3 billion less the amount of those draws.

As of March 31, 2011, our aggregate funding received from Treasury under the Purchase Agreement was \$63.7 billion. This aggregate funding amount does not include the initial \$1.0 billion liquidation

preference of senior preferred stock that we issued to Treasury in September 2008 as an initial commitment fee and for which no cash was received.

The Purchase Agreement also provides for Treasury, upon the request of the Conservator, to provide funds to us if the Conservator determines, at any time, that it will be mandated by law to appoint a receiver for us unless we receive funds from Treasury under its commitment. PC Holders have certain limited rights to bring proceedings against Treasury if we fail to pay under our guarantee and if Treasury fails to perform its obligations under its funding commitment. For a description of PC Holders' rights to proceed against Freddie Mac and Treasury, see *The Trust Agreement — Rights Upon Event of Default*. The Purchase Agreement contains covenants that significantly restrict our operations.

Under the terms of the Purchase Agreement and FHFA regulation, our mortgage-related investments portfolio is subject to a cap that decreases by 10% each year until the portfolio reaches \$250 billion. As a result, the unpaid principal balance of our mortgage-related investments portfolio could not exceed \$810 billion as of December 31, 2010 and may not exceed \$729 billion as of December 31, 2011. The annual 10% reduction in the size of our mortgage-related investments portfolio is calculated based on the maximum allowable size of the mortgage-related investments portfolio, rather than the actual unpaid principal balance of the mortgage-related investments portfolio, as of December 31 of the preceding year.

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

### **Our Initiatives Under the Making Home Affordable Program**

We continue to participate in the Making Home Affordable Program (the “**MHA Program**”), which was announced by the Obama Administration in early 2009. The MHA Program is designed to help in the housing recovery, promote liquidity and housing affordability, expand foreclosure prevention efforts and set market standards.

Under the MHA Program, Freddie Mac is carrying out initiatives to enable eligible homeowners to refinance Mortgages and to encourage modifications or short sales of Mortgages for eligible homeowners who are in default and those who are at risk of imminent default, including the following:

- *Home Affordable Refinance initiative.* We call our initiative in this area our “**Relief Refinance Program**.” Under this program, we have set forth the terms and conditions under which we will purchase refinancings of Mortgages we own or guarantee. Borrowers under “**Relief Refinance Mortgages**”<sup>SM</sup> must be current on their original Mortgages. Certain eligible borrowers applying for Relief Refinance Mortgages may be subject to streamlined underwriting procedures and, for certain eligible Mortgages, the value of eligible properties may be determined using an automated valuation model. The loan to value (“**LTV**”) ratio on fixed-rate Relief Refinance Mortgages may be up to 125%. A Relief Refinance Mortgage may be without mortgage insurance if the original Mortgage did not bear mortgage insurance. Relief Refinance Mortgages must be originated on or before June 30, 2012.
- *Home Affordable Modification initiative.* We call our initiative in this area our “**Home Affordable Modification Program**” or “**HAMP**.” Under this program, our servicers offer eligible borrowers in owner-occupied homes who are delinquent or who are current but at risk of imminent default on

their Mortgages modifications that reduce their monthly principal and interest payments on their Mortgages. HAMP seeks to provide a uniform, consistent regime that servicers can use in modifying Mortgages to prevent foreclosures. Under HAMP, servicers that service Mortgages are provided incentives to reduce at-risk borrowers' monthly Mortgage payments to a minimum of 31% of gross monthly income, which may be achieved through a variety of methods, including interest rate reductions, term extensions and principal forbearance. Borrowers are subject to a trial period under which they are required to remit a number of monthly payments that are an estimate of the anticipated modified payment amount. After successfully meeting the requirements of the trial period, a borrower's Mortgage is modified. We bear the full cost of these modifications and do not receive a reimbursement from Treasury. Servicers are paid incentive fees both when they originally modify a loan, and over time, if the modified loan remains current. Borrowers whose Mortgages are modified through this program will also accrue monthly incentive payments that will be applied to reduce their principal as they successfully make timely payments over a period of five years. Freddie Mac, rather than Treasury, will bear the costs of these servicer and borrower incentive fees. Mortgage holders are also entitled to certain subsidies for reducing the monthly payments from 38% to 31% of the borrower's income; however, we will not receive such subsidies on Mortgages. HAMP applies to Mortgages originated on or before January 1, 2009 and will expire on December 31, 2012.

- *Servicing alignment initiative.* In February 2011, FHFA directed Freddie Mac and Fannie Mae to discuss with FHFA and with each other, and wherever feasible to develop, consistent requirements, policies and processes for the servicing of non-performing loans. This directive was designed to create greater consistency in servicing practices and to build on the best practices of each of the government-sponsored enterprises. Pursuant to this directive, on April 28, 2011, FHFA announced a new set of aligned standards for servicing by Freddie Mac and Fannie Mae, which are designed to help servicers do a better job of engaging with homeowners and to bring greater accountability to the servicing industry. The aligned requirements include earlier and more frequent communication with borrowers, consistent requirements for collecting documents from borrowers, consistent timelines for responding to borrowers, a consistent approach to modifications, and consistent timelines for processing foreclosures. This initiative will result in consistent processes for Freddie Mac's HAMP and non-HAMP workout solutions, and will be implemented over the course of 2011 and potentially early 2012. We believe this effort will result in certain changes in our non-HAMP loan modification processes, which may temporarily result in delays in these activities while the changes are implemented by us and our servicers. Servicers will also be subject to incentives and sanctions with respect to performance under these standards. Ultimately, we expect this effort will help streamline loss mitigation processes for servicers and delinquent borrowers, give servicers consistent guidance to help improve their servicing performance, and lay the foundation for industry benchmarks for responsible servicing that will benefit the housing finance system, servicers and consumers.
- *Home Affordable Foreclosure Alternatives initiative.* In August 2010, we implemented our "**Home Affordable Foreclosure Alternatives Program**" or "**HAFAP**," which offers eligible borrowers another option to avoid foreclosure while transitioning from a property secured by a Mortgage owned by us into more affordable housing. Under HAFAP, our servicers offer borrowers who did not qualify for or complete a permanent modification under HAMP or other home retention options the possibility to sell the mortgaged property for an amount less than the balance

due under the Mortgage. The borrower may also have the opportunity to simply convey the property to us in lieu of foreclosure. In exchange, we agree to release our lien and waive any rights to pursue the borrower for any unpaid amounts. Borrowers, servicers and subordinate lien holders on the property receive incentives to participate in a HAFAs transaction. We pay all of these incentives and will not be reimbursed by Treasury. HAFAs applies to all HAMP-eligible Mortgages except leaseholds, cooperatives or Mortgages sold to Freddie Mac with recourse or a right of indemnity and will be available until December 31, 2012.

## ADDITIONAL INFORMATION

Our common stock is registered with the U.S. Securities and Exchange Commission (“SEC”) under the Securities Exchange Act of 1934 (“Exchange Act”). As a result, we file annual, quarterly and current reports, proxy statements and other information with the SEC.

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

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

You can obtain, without charge, copies of this Offering Circular, any Additional Supplement, the Incorporated Documents, the PC Master Trust Agreement dated as of June 20, 2011 (as amended from time to time, the “**Trust Agreement**”) and any applicable Pool Supplement under which PCs are issued 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 address:

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

This Offering Circular relates to PCs issued on and after June 20, 2011. For information about PCs issued before that date, see the related Offering Circular (available on our internet website) that was in effect at the time of issuance of those PCs. Under the Trust Agreement, Freddie Mac has agreed to act as Trustee for and to administer all existing PCs substantially in accordance with the Trust Agreement, as described in this Offering Circular.

\* We are providing this and other internet addresses solely for the information of investors. We do not intend these internet addresses to be active links and we are not using references to these addresses to incorporate additional information into this Offering Circular or any Pool Supplement, except as specifically stated in this Offering Circular.



## SUMMARY

This summary highlights selected information about the PCs. Before buying PCs, you should read this Offering Circular and the other disclosure documents referred to in *Additional Information*. You should rely on the information in an applicable Pool Supplement as to the PC Pool it describes if it is different from the information in this Offering Circular. Information in any applicable Additional Supplement is provided by the sellers of the related Mortgages and not by us.

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

### Trustee, Depositor, Administrator

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

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

**PC Pools** . . . . . As Depositor, we transfer and deposit Mortgages that we have acquired into various trust funds established pursuant to the Trust Agreement and applicable Pool Supplements. As Trustee for these trust funds, we create and issue under the Trust Agreement and related Pool Supplements PCs representing undivided beneficial ownership interests in pools of Mortgages and related assets held by those trust funds (“**PC Pools**”). Investors in PCs own beneficially their pro rata shares of the Mortgages in the related PC Pool. PC Pools generally have a minimum size at formation of \$1,000,000 for Gold PCs® and \$500,000 for ARM PCs, but there is no minimum pool size for ARM PCs backed by Initial Interest Mortgages delivered under our Guarantor Program or Gold PCs backed by Initial Interest Mortgages delivered under our MultiLender Swap Program.

**Types of Mortgages** . . . . . The assets in each PC Pool include mortgages or participation interests in mortgages that we have acquired (“**Mortgages**”), all proceeds of those Mortgages, amounts on deposit in a custodial account of Mortgage collections from servicers of those Mortgages and the right to receive payments pursuant to our guarantee. The Mortgages are secured primarily by first liens on one- to four-family residential properties and may be either fixed-rate Mortgages or adjustable rate Mortgages (“**ARMs**”). Some fixed-rate Mortgages and ARMs are Initial Interest Mortgages. We describe the characteristics of different types of Mortgages in *Description of the Mortgages*. We make

available on our internet website information regarding the Mortgages in each PC Pool on a loan-level basis and, in the related Pool Supplement, on a pool-level basis.

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

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

**Payments** ..... As Administrator, we pay principal and interest monthly on each Payment Date beginning in (1) the month after issuance for Gold PCs or (2) the second month after issuance for ARM PCs. Payment Dates fall on or about the 15th day of each month. However, we do not pay principal on PCs backed by Initial Interest Mortgages that are in their interest only period unless unscheduled principal payments have been made on those Mortgages during that period. Our payments on PCs do not include the amounts of any fees, charges or interest in excess of the applicable PC Coupon that may be paid on the underlying Mortgages. These amounts are retained by servicers as servicing compensation or retained by us as part of our management and guarantee fees for our services as Administrator and Guarantor.

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

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

**Pool Factors** . . . . . In any month, you can determine the amount of the principal payment on a PC by reference to the Pool Factor for the related PC Pool. A Pool Factor is an exact decimal truncated to eight places which, when multiplied by the original principal balance of the related PC, equals the remaining principal balance of the PC after giving effect to the principal payment to be made in the same month for Gold PCs or in the following month for ARM PCs. As Administrator, we publish Pool Factors on or about the fifth Business Day of each month. Payment Capped ARM PCs may also have Negative Amortization Factors, which indicate any amounts of deferred interest added to the principal balances of such PCs during periods of negative amortization.

**Guarantee** . . . . . For Gold PCs, as Guarantor, we guarantee timely payment of interest at the applicable PC Coupon and the timely payment of scheduled principal, whether or not we receive these payments from the servicers of the underlying Mortgages. For ARM PCs, as Guarantor, we guarantee timely payment of interest at the applicable PC Coupon, whether or not we receive these payments from the servicers of the underlying Mortgages, and the full and final payment of any principal no later than the month following the Final Payment Date. We do not guarantee the timely payment of scheduled principal on ARM PCs. **Principal and interest payments on the PCs are not guaranteed by and are not debts or obligations of the United States or any federal agency or instrumentality other than Freddie Mac.**

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

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

<b>Trust Agreement</b> .....	As Trustee, we issue PCs from each PC Pool according to the Trust Agreement, which we summarize in this Offering Circular. You should refer to the Trust Agreement for a complete description of your rights and obligations and those of Freddie Mac as Trustee, Depositor, Administrator and Guarantor.
<b>Proceeds</b> .....	Most PCs are issued in exchange for Mortgages, in which case we do not receive cash proceeds. We use the proceeds from the sale of PCs for cash to provide funds for general corporate purposes, including the purchase of additional Mortgages.
<b>Form of PCs</b> .....	PCs are issued, held and transferable only on the book-entry system of the Federal Reserve Banks. The Holder of a PC is the entity that appears as such on the records of a Federal Reserve Bank. Only institutions that are members of the Federal Reserve System may be Holders of PCs.
<b>PC Denominations</b> .....	The PCs are issued in minimum denominations of \$1,000 and in \$1 increments above that minimum.
<b>Method of Payment</b> .....	A Federal Reserve Bank credits payments on each Payment Date to the accounts of Holders on the Federal Reserve Banks' book-entry system. Each Holder, and each financial intermediary in the chain to the beneficial owners of the PCs, will be responsible for remitting payments to their customers.
<b>No "Clean-up Call"</b> .....	We have no "clean-up call" option to redeem or terminate a PC based on its unpaid principal balance falling below a prescribed level.
<b>Tax Status</b> .....	We will classify each PC Pool as a grantor trust. As an investor in PCs, you will be treated as the owner of a pro rata undivided interest in the ordinary income and the principal of the related grantor trust, and will be considered the owner of a pro rata undivided interest in each of the underlying Mortgages.

## RISK FACTORS

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

### **Investment Factors:**

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

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

**Reductions in our mortgage-related investments portfolio may affect the liquidity of your PCs.** Under the terms of the Purchase Agreement and FHFA regulation, our mortgage-related investments portfolio is subject to a cap that decreases by 10% each year until the portfolio reaches \$250 billion. As a result, the unpaid principal balance of our mortgage-related investments portfolio could not exceed \$810 billion as of December 31, 2010 and may not exceed \$729 billion as of December 31, 2011. The Purchase Agreement also limits the amount of indebtedness we can incur. Historically, our portfolio assets have included a substantial amount of our PCs and we have been an active purchaser of our PCs for a variety of reasons, including to provide liquidity for our PCs. The limitation on our indebtedness, the proceeds of which have been used in the past to purchase assets for our portfolio, and the requirement to shrink our portfolio may adversely affect the liquidity and pricing of your PCs.

**PCs are subject to market risk.** The market values of your PCs will vary over time in response to, among other factors: the level of, and changes in, prevailing interest rates; the age and other characteristics of Mortgages backing a PC; the number of and outstanding principal balance of other PCs with similar characteristics; and the availability of comparable securities. Financial, regulatory and legislative developments concerning Freddie Mac generally, including whether we are in conservatorship or receivership, could affect prices for your PCs. In addition, any adverse change in the market perception of our level of governmental support or credit standing could reduce the market price of PCs. If you sell your PCs when their market values are low, you may experience significant losses.

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

### **Governance Factors:**

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

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

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

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

**Damages in event of the Conservator's repudiation of our guarantee are limited.** In general, the liability of the Conservator for the disaffirmance or repudiation of any contract, including our guarantee, is limited to actual direct compensatory damages determined as of September 6, 2008, which is the date we were placed into conservatorship.

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

In addition, we could be put into receivership at the discretion of the Director of FHFA at any time for other reasons, including conditions that FHFA has already asserted existed at the time the then Director of FHFA placed us into conservatorship. These include: a substantial dissipation of assets or earnings due to unsafe or unsound practices; the existence of an unsafe or unsound condition to transact business; an inability to meet our obligations in the ordinary course of business; a weakening of our condition due to unsafe or unsound practices or conditions; critical undercapitalization; the likelihood of losses that will deplete substantially all of our capital; or by consent. A receivership would terminate the current conservatorship.

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

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

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

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

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

enforcing their rights to replace Freddie Mac as Trustee and Administrator if the event of default arises solely because a receiver has been appointed.

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

If we are placed into receivership and do not or cannot fulfill our guarantee obligation to PC Holders, PC Holders could become unsecured creditors of Freddie Mac with respect to claims made under our guarantee. For a description of certain rights of PC Holders to proceed against the Treasury if we fail to pay under our guarantee, see *The Trust Agreement — Rights Upon Event of Default*.

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

**Substantial repurchases of seriously delinquent Mortgages from PC Pools could materially affect PC prepayment speeds.** We currently repurchase substantially all Mortgages that are 120 days or more delinquent from our fixed-rate and ARM PCs. We effect these repurchases primarily because the cost of guarantee payments to PC Holders, including advances of interest at the PC Coupon, for most nonperforming Mortgages exceeds the cost of holding these nonperforming Mortgages in our mortgage-related investments portfolio as a result of the required adoption in January 2010 of certain accounting standards and changing economics. In addition, these Mortgage repurchases help us preserve capital and reduce the amount of any additional draws from Treasury under the Purchase Agreement. The repurchases do not affect our activities under the MHA Program.

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

**Increased Mortgage refinance, modification and other loss mitigation programs could materially affect PC prepayment speeds.** Working with our Conservator, we have significantly increased our loan modification and foreclosure prevention efforts since we entered into conservatorship. In March 2009, we announced our Relief Refinance and Home Affordable Modification Programs under the MHA Program. The Relief Refinance Program is available to eligible borrowers who are not delinquent on their Mortgages and the Home Affordable Modification Program is available to eligible borrowers who are delinquent on their Mortgages or who are current on their Mortgages but who are able to substantiate that they are at risk of imminent default. Prior to the implementation of these programs, certain borrowers may not have qualified to refinance or modify their Mortgages. The number of Mortgages and borrowers that have participated in these programs have been, and may continue to be, substantial. In addition, because the LTV ratio on fixed-rate Relief Refinance Mortgages at origination can be up to 125%, borrowers, who may have little or no equity in their homes and who would not otherwise qualify for refinancings, may qualify for Relief Refinance Mortgages. Streamlined underwriting procedures and valuation of properties using an automated valuation model also may apply to certain eligible borrowers. Financial incentives are payable to servicers and borrowers who successfully participate in the Home Affordable Modification Program.



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

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

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

- Prevailing mortgage interest rates. In general, as mortgage interest rates decline, borrowers tend to refinance their current, higher rate Mortgages, which results in faster prepayment rates on the related PC Pool. On the other hand, as mortgage interest rates increase, borrowers tend not to refinance their Mortgages, which results in slower prepayment rates on the related PC Pool. Since the fourth quarter of 2008, Treasury and the Board of Governors of the Federal Reserve (the “**Federal Reserve**”) have been engaged, from time to time, in concerted efforts, including the purchase of mortgage-related securities guaranteed by Freddie Mac, Fannie Mac and the Government National Mortgage Association and the purchase of long-term Treasury securities, to try to keep mortgage interest rates at historically low levels and to try to maintain the availability of mortgage funding.
- Mortgage characteristics, such as the geographic location of the mortgaged properties, loan size, borrower credit scores, LTV ratios or year of origination. These characteristics may be concentrated in a PC Pool, either initially or as a result of changes over time in the composition of a PC Pool. To the extent Mortgages with similar characteristics tend to have similar prepayment patterns, the related PCs may prepay more quickly or more slowly than other PCs.
- Characteristics of the borrowers (such as credit score) and their equity positions in their houses (whether the LTV ratio is high or low). In particular, borrowers with substantial equity in their houses may be inclined to engage in cash-out refinancings in which the refinancing mortgage has a higher principal balance than the refinanced mortgage. This technique enables the borrower to convert all or a portion of the equity into cash. To the extent Mortgages with these borrower characteristics may be concentrated in a PC Pool, the related PCs may prepay more quickly or more slowly than other PCs.

- Procedures implemented by mortgage originators and servicers to ease the burden on themselves and borrowers of processing refinance loans. These changes may include reducing the amount of documentation and costs required to refinance and easing underwriting standards, which could encourage borrowers to refinance their Mortgages and thus increase prepayment rates. Some of our Mortgage purchase programs may facilitate these practices. For example, certain eligible borrowers applying for Relief Refinance Mortgages may be subject to streamlined underwriting and other procedures.
- Active solicitation by originators and servicers. Many mortgage servicers, including sellers of Mortgages to Freddie Mac, solicit borrowers to refinance their Mortgages. In particular, servicers may solicit borrowers to refinance in an effort to preserve servicing income, which could increase prepayment rates. To mitigate this risk, generally, we place restrictions on solicitation of borrowers which are intended to prevent servicers from targeting borrowers under Mortgages they service for us more actively than they target other borrowers. However, under our Relief Refinance Program, a number of borrowers under Mortgages in PC Pools may be solicited for refinancings.
- Servicing fee rates. PC Pools containing Mortgages that are subject to servicing fee rates that are relatively low may experience different prepayment rates than PC Pools in which relatively high servicing fee rates predominate.
- The rate of defaults and resulting repurchases of the Mortgages in a PC Pool. Defaults may increase during periods of economic recession, mortgage credit contraction, stricter underwriting standards that may inhibit refinancings, natural disasters, declining property values or increased use of secondary financing or as a result of other factors that decrease borrowers' equity. Such adverse developments could also have a greater impact on certain states or geographical regions. Depending on how long a Mortgage has been in default and the likelihood the borrower will resume making payments, we may repurchase a defaulted Mortgage from its PC Pool, which would have the same effect on the Holder as a prepayment of the Mortgage. Servicers may also modify such a Mortgage under our Home Affordable Modification Program upon a borrower's successful completion of a trial period. Such a Mortgage would be repurchased from its PC Pool and such a repurchase would have the same effect on the Holder as a prepayment of the Mortgage. (See also *Substantial repurchases of seriously delinquent Mortgages from PC Pools could materially affect PC prepayment speeds and Credit Factors*).
- Repurchases of Mortgages from PC Pools may occur due to breaches of representations and warranties by the sellers of those Mortgages. These repurchases would have the same effect on the Holder as a prepayment of the Mortgages. See *We have a substantial backlog of repurchase requests to sellers and their fulfillment could affect PC prepayment speeds*.
- Repurchases of Mortgages from PC Pools may occur when the terms of those Mortgages are modified or the Mortgages are refinanced as a result of default or imminent default. We offer financial incentives (including under our Home Affordable Modification Program) to servicers to modify certain delinquent Mortgages in order to reduce foreclosures and to enable borrowers to stay in their homes. These repurchases would have the same effect on

the Holder as a prepayment of the Mortgages. See *Increased Mortgage refinance, modification and other loss mitigation programs could materially affect PC prepayment speeds*.

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

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

**We have a substantial backlog of repurchase requests to sellers and their fulfillment could affect PC prepayment speeds.** We require sellers to make certain representations and warranties regarding the Mortgages they sell to us. If Mortgages are sold to us in breach of those representations and warranties, we have the contractual right to require the applicable seller to repurchase those Mortgages from us. Some of our sellers failed to perform their repurchase obligations due to lack of financial capacity, while many of our larger sellers have not fully performed their repurchase obligations in a timely manner. As of March 31, 2011, we had outstanding repurchase requests to our sellers with respect to Mortgages with an unpaid principal balance of approximately \$3.4 billion. At March 31, 2011, approximately 38% of our outstanding repurchase requests were outstanding for more than four months since issuance of our repurchase demand. If the sellers fulfill our repurchase requests and your PCs are backed by the applicable Mortgages, their repurchases will result in prepayments, which could be substantial. However, we may have already repurchased many of these Mortgages from your PCs pursuant to our current practice to repurchase (i) substantially all seriously delinquent Mortgages, (ii) modified Mortgages and (iii) foreclosed Mortgages from PC Pools. See “— *Substantial repurchases of seriously delinquent Mortgages from PC Pools could materially affect PC prepayment speeds*” and “*Description of The Mortgages — Mortgage Purchase and Servicing Standards — Defaults and Delinquencies*”. In addition, in lieu of repurchase, we may choose to allow a seller to indemnify us against losses on such Mortgages. Sometimes a seller sells us Mortgages with recourse, meaning that the seller agrees to repurchase any Mortgage that is delinquent for more than a specified period (usually 120 days), regardless of whether there has been a breach of representations and warranties. Under recourse arrangements, a seller may also have the option, regardless of whether there has been a breach of representations and warranties, to repurchase with our consent a Mortgage that is 90 days delinquent.

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

- Many of the types of Mortgages cited below may be more prone to refinance as a result of our Relief Refinance Program, particularly Mortgages originated during 2006 through 2008.
- Hybrid ARMs may be prone to refinancing toward the end of their fixed-rate periods.
- Convertible ARMs may be converted to fixed-rate Mortgages, which will be repurchased from the PC Pool shortly before their conversion.
- Payment Capped ARMs have weighted average lives that can lengthen if negative amortization occurs and shorten if accelerated amortization occurs.
- ARMs tend to have higher default rates than fixed-rate Mortgages.
- Biweekly Mortgages have weighted average lives that are shorter than those of otherwise similar monthly payment Mortgages.

- Prepayment Penalty Mortgages may tend to prepay differently than Mortgages without prepayment penalties.
- Initial Interest Mortgages, which permit borrowers to pay only accrued interest for extended periods without requiring principal amortization, may affect borrower decisions regarding the sale of property or refinancing because the borrower may not have reduced the principal balance of the Mortgage by making unscheduled principal payments. In addition, borrowers could be motivated to refinance prior to the expiration of the interest only period because it is likely that the amount of each monthly payment will increase substantially when scheduled principal amortization on these Mortgages commences. We ceased buying Initial Interest Mortgages on September 1, 2010.
- Jumbo-Conforming Mortgages and Super-Conforming Mortgages may tend to prepay differently than other conforming Mortgages because of a number of factors, including their larger relative principal balance (and larger resulting savings in the case of refinancing in a low interest rate environment), the entry of Freddie Mac and Fannie Mae into the secondary market for such Mortgages (which may tend to reduce the prevailing interest rates offered by lenders for extending such Mortgages and to increase funds available for such Mortgages) and the possible geographic concentration of such Mortgages.
- Extended Buydown Mortgages may experience higher default rates than other Buydown Mortgages because they provide for larger increases in the effective interest rates to borrowers.
- Relocation Mortgages could be less sensitive than other types of Mortgages to prepayments resulting from decreasing interest rates and more sensitive than other types of Mortgages to prepayments resulting from home sales. The prepayment behavior of Relocation Mortgages also generally depends on the circumstances of individual employees and employers and the characteristics of the specific relocation programs involved.
- Assumable Mortgages could be less sensitive than other types of Mortgages to prepayments due to home sales because they may not have to be prepaid when the mortgaged property is sold to a qualified borrower.
- FHA/VA Mortgages may exhibit different prepayment behavior than Conventional Mortgages because they are underwritten using different criteria and they are usually Assumable Mortgages.

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

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

**Prepayments can reduce your yield.** Your yield on a PC will depend on its price, the interest rate payable on the PC, the payment delay on the PC, the rate of prepayments on its underlying Mortgages, and the other characteristics of those Mortgages. You should carefully consider the yield risks associated with PCs, including these:

- If you purchase a PC at a discount to its principal amount and the rate of principal payments on the underlying Mortgages is slower than you expect, you will receive payments over a longer period than you expect, so the yield on your investment will be lower than you expect.
- If you purchase a PC at a premium over its principal amount and the rate of principal payments on the underlying Mortgages is faster than you expect, you will receive payments over a shorter period than you expect, so the yield on your investment will be lower than you expect.
- In general, the rate of Mortgage prepayments early in your investment has the greatest effect on your yield to maturity. A negative effect on your yield produced by principal prepayments at a higher (or lower) rate than you expect in the period immediately following your purchase of a PC is not likely to be fully offset by an equivalent reduction (or increase) in that rate in later periods.

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

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

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

- PC Coupons for ARM PCs generally adjust monthly based on a weighted average of the interest rates on the underlying Mortgages. Several factors will affect these PC Coupons:
  - Disproportionate principal payments, including prepayments, on the underlying Mortgages that have relatively low, or high, interest rates compared to the other Mortgages in the same PC Pool will affect the level of the PC Coupon for the related ARM PCs, even if the interest rates on the remaining Mortgages do not change.
  - The PC Coupon of your ARM PCs may not fully reflect current interest rates or Index values because the underlying Mortgage interest rates may adjust on various dates and at various intervals and typically adjust less frequently than monthly. In addition, the interest rates of the underlying Mortgages typically adjust based on an Index value published some time before such adjustment (the lookback period), and there may be a gap of up to several months from the publication of the applicable Index value until the PC Coupon reflects the adjusted value. As a result, the PC Coupon of your ARM PCs may not fully reflect current interest rates or Index values.

- Although there are generally no limits on monthly PC Coupon adjustments for ARM PCs, interest rates on the underlying ARMs are subject to lifetime ceilings and may be subject to adjustment caps and lifetime floors. As a result of these limitations, the PC Coupon on an ARM PC at any time may not reflect the applicable Index value or changes in that value from period to period.
- When mortgage interest rates are generally low, which usually results in faster prepayments, the applicable Index value may be relatively high. On the other hand, when mortgage interest rates are generally high, which usually results in slower prepayments, the applicable Index value could be relatively low. Either of these scenarios could result in a lower than expected yield on the ARM PCs. In addition, depending on how frequently the underlying ARMs adjust and the existence of any adjustment caps, in an increasing interest rate environment, the rate of default could increase, which could reduce your yield on the ARM PCs.
- The value of an Index will generally change from time to time. Even if the average value of an Index is consistent with your expectations, the timing of any changes in that value may affect your actual yield. In general, the earlier a change in the value of the applicable Index, the greater the effect on your yield. As a result, a negative effect on your yield produced by an Index value that is higher (or lower) than you expect early in your investment is not likely to be fully offset by an equivalent reduction (or increase) in that value in later periods.
- If the Index values used to adjust the interest rates of underlying ARMs are lower than you expect, the yield on your investment could be lower than you expect, especially if prepayments are slow. Even if the Index value is higher than you expect, but prepayments are fast, your yield could be lower than you expect.
- The CMT Index and LIBOR tend to reflect current market rates, and their values may be more volatile than the value of Eleventh District COFI or other Indices which reflect averages of rates in effect over longer periods of time.
- If you invest in Payment Capped ARM PCs, the application of payment caps may result in negative amortization or accelerated amortization, which may affect your yield.

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

### **Credit Factors:**

**General economic conditions could adversely affect your PCs.** Weak economic conditions persist in the United States and the residential housing market continues to experience serious difficulties. House prices have declined significantly nationwide since 2006. Unemployment remains high and the credit markets, including the residential mortgage market, have been weak and volatile. The rate and number of mortgage payment delinquencies also remain high. The prevailing adverse conditions in the economy and the housing market have made it difficult or impossible for many borrowers to sell their

homes or refinance their mortgages. In addition, many large financial institutions experienced temporary delays in the foreclosure process late in 2010, and we believe the resumption of foreclosures will result in increased distressed sales of real estate owned properties in 2011. These conditions could adversely affect your PCs in a number of ways.

If the U.S. economy remains weak, we could experience continued high payment defaults on Mortgages. Payment defaults on Mortgages could result in accelerated prepayments of your PCs as a result of Mortgage modifications, refinancings, foreclosures or workouts. The rate of such refinancings and modifications could also substantially increase as a result of our Relief Refinance and Home Affordable Modification Programs. These developments could adversely affect the liquidity, pricing and yield of your PCs. Payment and recovery of principal on your PCs could depend on our ability to honor our guarantee obligations. See *Prepayment and Yield Factors — Increased Mortgage refinance, modification and other loss mitigation programs could materially affect PC prepayment speeds.*

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

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

On April 13, 2011, the Comptroller of the Currency, the Federal Reserve, the Federal Deposit Insurance Corporation, and the Office of Thrift Supervision entered into consent orders with fourteen large servicers regarding their foreclosure and loss mitigation practices. These institutions service the majority of the Mortgages we own or guarantee. The consent orders require the servicers to submit comprehensive action plans relating to, among other items, use of foreclosure documentation, staffing of foreclosure and loss mitigation activities, oversight of third parties, use of the Mortgage Electronic Registration System, or the MERS® System, and communications with borrowers. We will not be able to assess the impact of these actions on our business until the servicers submit their comprehensive action plans. It is possible that these plans will result in changes to these companies’ mortgage servicing practices that could adversely affect our business and your PCs.

## APPLICATION OF PROCEEDS

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

## DESCRIPTION OF THE MORTGAGES

### General

Mortgages typically are evidenced by mortgage notes secured by mortgages or deeds of trust or other similar security instruments creating liens on one- to four-family residential properties. Mortgages include both whole loans and participation interests in loans. They may have been originated for the purpose of purchasing, refinancing or rehabilitating the mortgaged properties. The mortgaged properties may be owner-occupied properties or non-owner occupied properties, such as second homes or investment properties. Mortgages may vary in form based largely on state law. They may take the form of other financial and security arrangements to finance residential properties over a fixed term. These other arrangements are designed to provide a holder with the same rights and remedies as the holder of a mortgage. Accordingly, we treat these sorts of arrangements as Mortgages. Examples include Cooperative Share Mortgages and arrangements designed to comply with Islamic law.

All of the Mortgages are either:

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

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

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

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

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

### Fixed-Rate Mortgages

Fixed-rate Mortgages have interest rates that are fixed when the Mortgage is originated and do not change. The main types of fixed-rate Mortgages that we acquire and pool are Level Payment Mortgages, Balloon/Reset Mortgages and Initial Interest Mortgages. They are described below.



- **Level Payment Mortgages** generally have original or modified terms to maturity of 10, 15, 20, 30 or 40 years and provide for equal scheduled monthly payments of principal and interest that will fully amortize the principal balance of the Mortgage over its term and pay interest as due. These Mortgages may include Mortgages that have been converted from an adjustable to a fixed interest rate.
- **Balloon/Reset Mortgages** have original terms to maturity of generally five or seven years, and require level monthly payments of principal and interest based on an amortization schedule of up to 30 years. The amount of the monthly payment remains constant until the end of the five- or seven-year term. At that time, the borrower may either pay the outstanding principal balance of the Mortgage (as a balloon payment) or, subject to certain conditions, extend and reset the loan at a then-current market rate for a 30-year, fixed-rate mortgage. We repurchase Balloon/Reset Mortgages from PC Pools shortly before their maturity or reset dates.
- **Initial Interest Mortgages** require monthly payments of accrued interest only on the principal balance of the Mortgage for a specified initial period, followed by fully amortizing monthly payments of principal and interest for the remaining term of the Mortgage. On fixed-rate Initial Interest Mortgages that we acquire, the initial interest only period generally will be for 10 years followed by a 10-year fully amortizing period, 15 years followed by a 15-year fully amortizing period, or for 10 years followed by a 20-year fully amortizing period, but other combinations are also possible. Full or partial prepayments can be made at any time. In the case of a partial prepayment during the interest only period, the borrower's monthly payment is reduced to reflect the reduced principal balance of the Mortgage. We ceased purchasing Initial Interest Mortgages on September 1, 2010.

### **Adjustable Rate Mortgages (ARMs)**

ARMs have original or modified terms to maturity of generally up to 30 years with interest rates that adjust periodically at specified intervals over the term of the Mortgage. An ARM has an initial fixed-rate period followed by an adjustable rate period. The adjusted interest rate on an ARM is equal to a fixed margin (the "**Margin**") plus the value of a specified index ("**Index**"). The adjustment value of the Index is the most recent value available a specified number of days before the adjustment date. This interval is the "lookback" period. Many ARMs are convertible to a fixed interest rate during a specified time period. The originator of a convertible ARM determines the specific procedures regarding the exercise of the conversion option, including its timing and the beginning of the fixed rate. If the borrowers exercise their conversion option, we will repurchase convertible ARMs from PC Pools shortly before their conversion dates.

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

#### ***Rate Capped ARMs***

"**Rate Capped ARMs**" have maximum interest rates (lifetime ceilings) and may also have some combination of (a) limits on the amount the interest rate can adjust up or down on each adjustment date (adjustment caps) and (b) minimum interest rates (lifetime floors). Rate Capped ARMs are not subject to negative amortization — any excess over, or any deficit under, the interest rate that would be in effect if

no adjustment caps or lifetime ceilings or floors were applied will not be added to, or subtracted from, amounts due to be paid by the borrower in subsequent periods. After the initial fixed-rate period, the monthly payment is adjusted to a fully amortizing level each time the interest rate is adjusted, except in the case of Initial Interest ARMs in their interest only periods. There is no limit to the amount of the adjusted monthly payment on a Rate Capped ARM. The most common types of Rate Capped ARMs we purchase and pool are Annual ARMs, Hybrid ARMs and Initial Interest ARMs.

- **Annual ARMs** have initial fixed-rate periods of one year with interest rates that adjust every year, and they are generally subject to periodic adjustment caps.
- **Hybrid ARMs** have relatively long initial fixed-rate periods, typically of two, three, five, seven or 10 years, as specified. (The different types of Hybrid ARMs having these fixed-rate periods, with annual adjustments thereafter, are sometimes referred to as “2/1,” “3/1,” “5/1,” “7/1” and “10/1” ARMs.) After the fixed-rate period expires, the fixed rate converts to an adjustable rate for the remaining term of the Mortgage. The initial adjustment, as well as subsequent periodic adjustments, are subject to adjustment caps. The initial adjustment cap on this type of ARM may be greater than subsequent adjustment caps.
- **Initial Interest ARMs** require monthly payments of accrued interest only on the principal balance of the Mortgage for a specified initial period, followed by fully amortizing monthly payments of principal and interest for the remaining term of the Mortgage. The Initial Interest ARMs that we acquire are non-convertible and generally have initial 3-, 5-, 7- or 10-year interest only periods followed by a fully amortizing period covering the remaining term of the Mortgage. Like other ARMs, the interest rate on an Initial Interest ARM adjusts periodically. The initial fixed-rate period of an Initial Interest ARM may or may not be equal in duration to its interest only period. Full or partial prepayments can be made at any time. In the case of a partial prepayment during the interest only period, the borrower’s monthly payment is reduced to reflect the reduced principal balance of the Mortgage. We ceased purchasing Initial Interest ARMs on September 1, 2010.

### *Payment Capped ARMs*

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

- Negative amortization occurs in any month when the borrower’s monthly payment amount is insufficient to pay all of the monthly interest due on the Mortgage. This unpaid interest is then deferred and added to the principal amount of the Mortgage. A Payment Capped ARM may be subject to a “deferred interest limit,” which may be set by the terms of the Mortgage or by state law. A deferred interest limit prevents a mortgage balance from increasing above

a specified level, typically 110% or 125% of the original principal balance of the Mortgage, as a result of the amount added to the principal balance of a Mortgage due to negative amortization. The borrower's required monthly payment is increased to avoid exceeding this limit, without regard to the 7.5% payment cap, on the next scheduled payment adjustment dates. Deferred interest may result from (a) increases in the Mortgage interest rate due to an increase in the applicable Index value during a period when the scheduled monthly payment remains fixed or (b) payment caps that limit the amount of increase in the scheduled monthly payment, which results in the monthly payment amount being less than the amount of interest accruing each month.

- Accelerated amortization occurs in any month when the scheduled monthly payment exceeds the amount needed to pay the principal and interest on the Mortgage on a level payment, fully amortizing basis. Accelerated amortization may result from (a) limitations on decreases in the amount of the scheduled monthly payment or (b) decreases in the interest rate of the Payment Capped ARM during a period when the scheduled monthly payment remains fixed. Accelerated amortization may shorten the term of a Payment Capped ARM and result in the final payment of its outstanding principal amount prior to its stated maturity date.

## ARM Indices

The following are the Indices most often used in the ARMs we acquire and pool. The CMT Index, LIBOR and Eleventh District COFI are the Indices used most frequently. We make no representation as to the continuing availability of any Index or source of Index values. If an Index becomes unavailable, we will designate a new one based upon comparable information and methodology.

- **CD Index:** The weekly average of secondary market interest rates on nationally traded six-month negotiable certificates of deposit, as published by the Federal Reserve Board in the Federal Reserve Statistical Release entitled "H.15 Selected Interest Rates (Daily)" (the "**H.15 Release**"), which is published on the Federal Reserve's website at [www.federalreserve.gov/releases/H15/update](http://www.federalreserve.gov/releases/H15/update).
- **CMT Index:** The weekly average yield on U.S. Treasury securities adjusted to a constant maturity of one, three, five, seven or 10 years or to some other constant maturity, as published in the H.15 Release. Yields on Treasury securities at constant maturity are determined by the U.S. Treasury from the daily yield curve, based on the closing market-bid yields on actively traded Treasury securities in the over-the-counter market.
- **Contract Rate Index:** The "National Average Contract Interest Rate for the Purchase of Previously Occupied Homes by Combined Lenders," as released by the Federal Housing Finance Board.
- **Eleventh District COFI:** The monthly weighted average cost of savings, borrowings and advances for member savings institutions of the Eleventh District of the Federal Home Loan Bank, as released by the Federal Home Loan Bank of San Francisco.
- **Federal COF Index:** The average of the interest rates for marketable U.S. Treasury bills and notes, as calculated and released by Freddie Mac.

- **LIBOR:** The arithmetic mean of the London interbank offered quotations for U.S. dollar denominated deposits with a maturity of one month, three months, six months, one year or some other maturity, as reported in *The Wall Street Journal*.
- **National COF Index:** The “Monthly Median Annualized Cost of Funds for OTS-Regulated Institutions,” as released by the Office of Thrift Supervision.
- **Prime Rate:** The prime lending rate of major banks as published in the H.15 Release.
- **Semi-annual Secondary Market Treasury Index:** The weekly average discount prevailing in weekly secondary market trading of six-month U.S. Treasury bills as published in the H.15 Release, as calculated from composites of quotations reported by five leading U.S. government securities dealers to the Federal Reserve Bank of New York.
- **Twelve-Month Average CMT Index:** The 12-month average of the monthly yields on United States Treasury securities as published in the H.15 Release, adjusted to a constant maturity of one year. Yields on Treasury securities at 1-year constant maturity are determined by the U.S. Treasury from the daily yield curve, based on the closing market-bid yields on actively traded Treasury securities in the over-the-counter market.

### Special Mortgage Characteristics

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

- An **Assumable Mortgage** is one that can be assumed by a creditworthy purchaser of the related mortgaged property at the applicable interest rate for the remaining term of the Mortgage, or one that does not contain an enforceable due-on-transfer clause permitting automatic acceleration upon the transfer of the property regardless of the creditworthiness of the transferee. Typically, ARMs and FHA/VA Mortgages are Assumable Mortgages. Most fixed-rate Conventional Mortgages are not Assumable Mortgages. Some ARMs have initial fixed-rate periods during which they cannot be assumed.
- A **Biweekly Mortgage** requires the borrower to make payments every 14 days rather than monthly. The borrower’s biweekly payment is equal to one-half of the monthly payment that would be required on the basis of a monthly amortization schedule. The borrower makes 26 (or sometimes 27) payments each year, which is the equivalent of 13 (or sometimes 13½) monthly payments. A Biweekly Mortgage will remain outstanding for a shorter term than an otherwise identical monthly payment Mortgage. For example, a 30-year, fixed-rate, level payment Mortgage with an interest rate of 7.5% would be paid in full in approximately 23 years under a biweekly payment arrangement. Some Biweekly Mortgages are convertible, permitting the borrower and/or the servicer to terminate the biweekly payment arrangement under certain circumstances. If a Biweekly Mortgage is converted, subsequent payments are required to be made monthly, which results in a slower rate of amortization after the conversion.

- A **Buydown Mortgage** is originated with special payment arrangements by which the borrower, lender and/or third party deposits funds in a separate account and uses those funds to pay a portion of the scheduled monthly payment on the Mortgage for a “buydown period,” usually 18 to 36 months. Using a buydown account effectively reduces the interest rate paid by the borrower during the buydown period. Throughout that period, the borrower’s monthly payment increases at periodic intervals until it reaches its fully amortizing level. Frequently, the interest rate on a Buydown Mortgage exceeds the rate the same borrower would have paid on a similar Mortgage without a buydown. An **Extended Buydown Mortgage** is a Buydown Mortgage for which (a) the buydown period is longer than two years or (b) the effective interest rate during the buydown period is more than two percentage points below the interest rate of the Mortgage, regardless of the length of the buydown period.
- A **Super-Conforming Mortgage** is a Mortgage originated from October 1, 2008 through September 30, 2011 secured by a property located in a designated high-cost area with an original principal balance exceeding the base conforming loan limit (\$417,000 for a one-family residence). The loan limits for Super-Conforming Mortgages are the higher of the temporary limits established by the Economic Stimulus Act of 2008 (the “**Stimulus Act**”) (maximum of \$729,750 for a one-family residence) and the permanent limits established by the Reform Act (maximum of \$625,500 for a one-family residence). We purchase fixed-rate 15-, 20- and 30-year Super-Conforming Mortgages and Super-Conforming Mortgages that are ARMs (“**Super-Conforming ARMs**”). Thirty-year fixed-rate Super-Conforming Mortgages and ARMs may be Initial Interest Mortgages that permit borrowers to pay only accrued interest for 10 years followed by a 20-year period over which principal is fully amortized. (We ceased purchasing Initial Interest Mortgages on September 1, 2010.) The Super-Conforming Mortgages we purchase may be geographically concentrated. See *Mortgage Purchase and Servicing Standards — Mortgage Purchase Standards*.
- A **Jumbo-Conforming Mortgage** is a Mortgage originated from July 1, 2007 through December 31, 2008 that we are able to buy as a result of the temporary increase in conforming loan limits that was adopted in the Stimulus Act. See — *Mortgage Purchase and Servicing Standards — Mortgage Purchase Standards*. We have purchased fixed-rate 15-, 20-, 30- and 40-year Jumbo-Conforming Mortgages. The fixed-rate 30-year Jumbo-Conforming Mortgages may be Initial Interest Mortgages that permit borrowers to pay only accrued interest for up to 10 years followed by a 20-year period over which principal is fully amortized. (We ceased purchasing Initial Interest Mortgages on September 1, 2010.) Fixed-rate Jumbo-Conforming Mortgages have been pooled separately from, and not with, our other fixed-rate conforming Mortgages. We have also purchased Jumbo-Conforming Mortgages that are ARMs (“**Jumbo-Conforming ARMs**”), which have been pooled with other Jumbo-Conforming ARMs of the same type. Jumbo-Conforming Mortgages were associated with approximately 70 areas, as determined by HUD. The Jumbo-Conforming Mortgages we purchased may be geographically concentrated. See *Mortgage Purchase and Servicing Standards — Mortgage Purchase Standards*.
- A **High LTV Mortgage** is a Mortgage that has an LTV at origination of greater than 105% and equal to or lower than 125% and may be a fixed-rate Relief Refinance Mortgage. We pool High LTV Mortgages separately from our other Mortgages. It is possible that High LTV Mortgages will have different prepayment and default characteristics than our other

Mortgages. High LTV ratios are frequently associated with a lower likelihood of voluntary prepayments and a greater rate of default. However, at this time we cannot predict whether that will be the case for High LTV Mortgages. For more information about Relief Refinance Mortgages, see *Freddie Mac — Our Initiatives Under the Home Affordable Program — Home Affordable Refinance initiative*.

- A **Cooperative Share Mortgage** is secured by a first mortgage, lien or other security interest on (a) the stock or membership certificate (or similar arrangement) issued to the borrower as a tenant-stockholder or resident-member by a cooperative housing corporation (a “**Cooperative**”) and (b) the proprietary lease, occupancy agreement or right of tenancy granting the tenant-stockholder or resident-member rights to occupy a specific dwelling unit in the building owned by the Cooperative. Ownership interests and occupancy rights in a Cooperative generally are subject to restrictions on transfer, and also are subject to claims by the Cooperative for unpaid maintenance charges. The Cooperative, as owner of the building, is responsible for its management and typically pays certain costs. If there is a blanket mortgage on the building, the Cooperative is responsible for payments on that mortgage. Generally, tenant-stockholders or resident-members of the Cooperative make monthly payments to the Cooperative for their pro rata share of maintenance charges, including payments on the blanket mortgage, real property taxes, insurance, maintenance costs and other capital and ordinary expenses. The lien of a Cooperative Share Mortgage on the ownership interest and right of tenancy of a tenant-stockholder or resident-member is subject to the prior lien of the Cooperative for unpaid maintenance and to the prior lien of the blanket mortgage on the building.
- A **40-year Mortgage** amortizes over a 40-year period and, as a result, scheduled principal amortization will be slower than for a Mortgage with a shorter term. Depending on the underwriting guidelines of the seller, the lower monthly payments may allow the borrower to qualify to borrow a larger amount than would have been the case for a Mortgage with a shorter term. Consequently, 40-year Mortgages may (i) extend the weighted average lives of the PCs they back and (ii) result in a larger loss and prepayment in the case of a default or foreclosure or other repurchase or prepayment event.
- An **Initial Interest Mortgage** permits borrowers to pay only accrued interest for extended periods without requiring scheduled principal payments. When scheduled principal payments on these Mortgages commence, the required monthly payment is likely to increase substantially because scheduled principal payments are calculated to pay off such a Mortgage over its then remaining term. In addition, unless the borrower makes unscheduled principal payments during the interest only period, equity accretion for the borrower during that period will result solely from market price appreciation on the related property. These factors may affect borrowers’ decisions regarding the sale of property or refinancing because the borrower may not have reduced the principal balance of the Mortgage by making unscheduled principal payments. We ceased purchasing Initial Interest Mortgages on September 1, 2010.
- A **Prepayment Penalty Mortgage** requires fees, or prepayment penalties, to be paid whenever prepayments made within a specified period exceed a specified percentage of the original principal balance of the Mortgage. In order to be characterized as a Prepayment

Penalty Mortgage, the prepayment penalty must last for at least one year and must equal at least 1% of the amount prepaid. (We do not treat Mortgages having a shorter penalty period or smaller penalty as Prepayment Penalty Mortgages.) Generally, we do not purchase Prepayment Penalty Mortgages whose prepayment penalty periods last longer than three years. Various combinations of prepayment rates and penalty periods are possible within those limitations. For example, one of the more common combinations is a prepayment penalty that lapses after three years and has an assessment of 2% on prepaid amounts exceeding 20% of the Mortgage's original principal balance. Currently, the servicer retains all prepayment penalties. Prepayment penalties are not passed through to Holders. We prohibit our servicers from collecting prepayment penalties in cases where the payoff of the Mortgage is received in connection with the workout of a delinquent Mortgage or due to a default. Applicable laws may also affect whether a prepayment penalty can be collected or limit the amount that can be collected.

- A **Reduced Servicing Fee Mortgage** has a minimum servicing fee level that is below 0.25% per annum of the principal balance of a Mortgage, which is the prevailing minimum servicing fee level for Mortgages we acquire. These Mortgages may experience different prepayment rates than Mortgages to which our prevailing minimum servicing fee level applies and which have similar interest rates or are included in PCs with similar pass-through rates.
- A **Reinstated FHA/VA Mortgage** is insured by the Federal Housing Administration or guaranteed by the Department of Veterans Affairs and has been repurchased by the seller from pools backing mortgage-backed securities guaranteed by the Government National Mortgage Association due to delinquencies and in accordance with its policies. However, we do not acquire such Mortgages unless the delinquency has been cured and no other default exists, all payments under such a Mortgage have been made for a minimum of 30 days preceding its delivery to us or since its assumption by a qualified borrower, there has been no modification of any of the terms of the Mortgage, and the Mortgage is sold to us with recourse to the seller.
- A **Relocation Mortgage** is a mortgage loan made to a transferred or newly-hired employee to finance a home purchase at a new job location. The Relocation Mortgage usually requires an employer contribution to mortgage funding, which may be significant. These Mortgages usually are originated by agreement between the employer and the lender under a relocation program administered by the employer or its agent, although sometimes they are made on a "spot" basis rather than under an established relocation program.
- A **Second Mortgage** is a Mortgage that is subordinate only to a first lien on the mortgaged property, which, in the case of Second Mortgages we acquire, must be occupied by the borrower as the borrower's principal residence.
- A **Simple Interest Mortgage** is a Mortgage in which interest is computed on the basis of a year of 365 or 366 days and actual days elapsed. For other Mortgages, interest is typically computed on the basis of a year of 360 days consisting of twelve 30-day months. Each monthly payment of a Simple Interest Mortgage is applied first to the interest that has accrued as of the date of payment, with the remainder being applied to principal. The total amount of interest that accrues on a Simple Interest Mortgage over its life may exceed or be

less than the amount that accrues on other Mortgages having the same interest rate and maturity, depending on the timing of the borrower's payments. Moreover, there is no grace period on a Simple Interest Mortgage if the borrower makes a monthly payment after the due date, while most other Mortgages provide a grace period, typically of 15 days, during which additional interest does not accrue on a late payment. The borrower under a Simple Interest Mortgage pays additional interest if a payment is not timely made and less interest if a payment is made early.

## **Mortgage Purchase and Servicing Standards**

### ***General***

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

In addition to the standards in the Freddie Mac Act, which we cannot change, we seek to manage the credit risk with respect to our Mortgage purchases by using our underwriting and quality control processes. Mortgage credit risk is primarily influenced by the credit profile of the borrower on the Mortgage, the features of the Mortgage itself, the type of property securing the Mortgage, home price trends, apartment demand in the area, the number of competing properties in the area (including properties under construction) and the general economy.

We use a process of delegated underwriting for the single-family Mortgages we purchase or securitize. In this process, our contracts with seller/servicers describe our mortgage underwriting standards, and the seller/servicers represent and warrant to us that the Mortgages sold to us meet these standards. In our contracts with individual seller/servicers, we sometimes waive or modify selected underwriting standards. Our single-family underwriting standards focus on several critical risk characteristics, such as the borrower's credit score, original LTV ratio, and occupancy type. We subsequently review a sample of the loans we purchase and, if we determine that any loan is not in compliance with our contractual standards, we may require the seller/servicer to repurchase that Mortgage. In lieu of a repurchase, we may agree to allow a seller/servicer to indemnify us against loss in the event of a default by the borrower or enter into some other remedy. During the year ended December 31, 2010, we continued to perform significant levels of reviews of loans that defaulted in order to assess the seller/servicers' compliance with our purchase contracts.

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

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

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

The Freddie Mac Act places an upper limitation, called the "conforming loan limit," on the original principal balance of Mortgages we purchase. The conforming loan limit is determined annually based on



changes in FHFA's housing price index. Any decreases in the housing price index are accumulated and used to offset any future increases in the housing price index so that loan limits do not decrease from year-to-year. For 2006 through 2011, the base conforming loan limit for a one-family residence has been set at \$417,000. As discussed below, certain higher loan limits apply in certain "high-cost" areas. Higher limits also apply to two- to four-family residences.

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

The Reform Act permanently increased the conforming loan limits for Mortgages originated in "high-cost" areas — where 115% of the median house price exceeds the otherwise applicable conforming loan limit. Under the Reform Act's permanent "high-cost" area formula, the loan limit is the lesser of (i) 115% of the median house price or (ii) 150% of the conforming loan limit (currently \$625,500 for a one-family residence).

However, a series of legislative acts have temporarily restored the Stimulus Act's "high-cost" area loan limit to up to \$729,750. For Mortgages originated in 2009, the American Recovery and Reinvestment Act of 2009 (the "**Recovery Act**") ensured that the loan limits for the "high-cost" areas determined under the Stimulus Act did not fall below their 2008 levels. Additional legislation has extended the "high-cost" area loan limits established by the Recovery Act for Mortgages originated through September 30, 2011.

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

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

Except for certain Relief Refinance Mortgages, which may have LTV ratios up to 125%, the Mortgages we purchase generally do not have LTV ratios exceeding 95%. However, we may reduce or increase the required LTV ratios based on a number of factors, such as the borrower's intended use of Mortgage proceeds, the type of property securing the Mortgage, the existence of special financing arrangements and the market in which the mortgaged property is located. We may from time to time purchase and pool Mortgages, in addition to Relief Refinance Mortgages, having LTV ratios in excess of 95% in order to enable borrowers to purchase homes or refinance existing mortgages and pay certain

related expenses. However, except for Relief Refinance Mortgages, we currently do not expect to purchase and pool Mortgages with LTV ratios exceeding 105%. We will pool Relief Refinance Mortgages with LTV ratios exceeding 105% separately from our other Mortgages.

We use mortgage information available to us to determine which Mortgages we will purchase, the prices we will pay for Mortgages, how to pool the Mortgages we purchase and which Mortgages we will retain in our own portfolio. The information we use varies over time, and may include, among other things, LTV ratio, loan size and age, geographic distribution, weighted average interest rate, purpose or source of origination and credit scoring. We have discretion to determine whether the Mortgages we purchase will be securitized or held in our portfolio.

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

### *Eligible Sellers, Servicers and Warranties*

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

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

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

Our Mortgage custodians check certain stated terms of the Mortgage documents, but we generally do not independently verify the accuracy of the seller's representations and warranties.

### *Servicing Responsibilities and Compensation*

As Administrator, we generally supervise servicing of the Mortgages according to the policies in our Single-Family Seller/Servicer Guide (the "**Guide**") and in accordance with the Trust Agreement. Each servicer is required to perform all services and duties customary to the servicing of mortgages, either directly or through approved subservicers. Those responsibilities include all activities concerning the

calculation, collection and processing of Mortgage payments and related borrower inquiries, as well as all Mortgage administrative responsibilities, including claims collection, workouts, foreclosures and reports. We monitor a servicer's performance through periodic and special reports and inspections to ensure it complies with its obligations.

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

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

In January 2011, FHFA announced that it has directed Freddie Mac and Fannie Mae to work on a joint initiative, in coordination with HUD, to consider alternatives for future mortgage servicing structures and servicing compensation, including the possibility of reducing or eliminating the minimum servicing fee for performing loans, or other structures. We cannot predict how this directive will be resolved.

### ***Prepayments***

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

### ***Mortgage Repurchases***

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

We always repurchase a Mortgage from its PC Pool shortly before:

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

In addition, we may require or permit the seller or servicer of a Mortgage to repurchase any Mortgage or (within six months of the issuance of the related PCs) substitute for any Mortgage a Mortgage of comparable type, unpaid principal balance, remaining term and yield, if there is a material breach of warranty by a seller or servicer as to that Mortgage. Substitutions of Mortgages are far less common than cash repurchases. Mortgage repurchases may also occur due to refinancings and modifications of Mortgages (including under our Relief Refinance and Home Affordable Modification Programs), defaults and delinquencies, which may increase during periods of economic recession, mortgage credit constriction, stricter underwriting standards that may inhibit refinancings, natural

disasters, declining property values or increased use of secondary financing or as a result of other factors that decrease borrowers' equity. See *Risk Factors — Prepayment and Yield Factors — Substantial repurchases of seriously delinquent Mortgages from PC Pools could materially affect PC prepayment speeds*, — *Increased Mortgage refinance, modification and other loss mitigation programs could materially affect PC prepayment speeds* and — *We have a substantial backlog of repurchase requests to sellers and their fulfillment could affect PC prepayment speeds*, *Risk Factors — Credit Factors, Description of the Mortgages — Mortgage Purchase and Servicing Standards — Defaults and Delinquencies* and *The Trust Agreement — Repurchase and Substitution of Mortgages*.

A Mortgage repurchase will be treated as a prepayment in full of the Mortgage being repurchased and the entire principal amount of that Mortgage will be passed through to PC Holders on the appropriate Payment Date.

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

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

- Approve an assumption of a Mortgage by a new borrower.
- Allow a repayment plan or a forbearance period during which regular Mortgage payments may be reduced or suspended.
- Approve a modification of certain terms of the Mortgage or a refinancing of the Mortgage, including under our Home Affordable Modification and Relief Refinance Programs.
- Pursue a refinancing of the Mortgage or a pre-foreclosure contract for sale of the underlying property.
- Charge off all or part of the unpaid principal balance of the Mortgage.
- Initiate a foreclosure proceeding.

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

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

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

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

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

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

We currently repurchase substantially all Mortgages that are 120 days or more delinquent underlying our issued PCs. We effect these repurchases primarily because the cost of guarantee payments to the PC Holders for most nonperforming Mortgages exceeds the cost of holding these nonperforming Mortgages in our mortgage-related investments portfolio. We expect to continue to repurchase those Mortgages that become 120 days delinquent if it is economically beneficial to do so. See *Risk Factors — Prepayment and Yield Factors — Substantial repurchases of seriously delinquent Mortgages from PC Pools could materially affect PC prepayment speeds.*

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

Sometimes the unpaid principal balance of a Mortgage exceeds the current value of the underlying property. Bankruptcy courts are permitted, under limited circumstances, to approve a borrower’s plan reducing the borrower’s obligation under such a Mortgage to the current value of the property and to treat the remaining amount of the Mortgage indebtedness as an unsecured obligation. We may treat the unsecured portion of the Mortgage as a partial prepayment and pass through that amount as a guarantee payment as early as the date of the court action.

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

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

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

## DESCRIPTION OF THE PCs

### General

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

Gold PCs are backed by fixed-rate, level payment, fully amortizing Mortgages, fixed-rate Initial Interest Mortgages or Balloon/Reset Mortgages. ARM PCs are backed by ARMs, including adjustable rate Initial Interest Mortgages.

Each PC represents an undivided beneficial ownership interest in the Mortgages contained in its related PC Pool. Once we have deposited an identified Mortgage in a PC Pool, the Mortgage remains in that PC Pool unless it is paid in full, foreclosed upon, repurchased or replaced by a substitute Mortgage. The minimum original principal balance for a PC Pool is generally \$1,000,000 for Gold PCs and \$500,000 for ARM PCs. ARM PCs backed by Initial Interest Mortgages delivered under our Guarantor Program or Gold PCs backed by Initial Interest Mortgages delivered under our MultiLender Swap Program are not subject to a minimum original principal balance. We may change these minimum PC Pool sizes at any time.

### PC Pool Formation

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

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

As Administrator, Freddie Mac currently assigns a six-character, unique numeric or alphanumeric designation, or “**PC Pool Number**,” to each PC Pool. The first two (or three, in some instances) characters of a PC Pool Number are known as its “**Prefix**.” The Prefix indicates some basic information

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

### **General Pooling Criteria**

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

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

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

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

- The interest rates of the Mortgages in a Gold PC Pool are within a range from (a) the PC Coupon plus any minimum required servicing fee through (b) 250 basis points above the PC Coupon.
- Twenty-year Mortgages may be pooled with 30-year Mortgages and each type may be pooled separately.
- Ten-year Mortgages may be pooled with 15-year Mortgages and each type may be pooled separately.
- Balloon/Reset Mortgages are pooled separately based on the original term to the maturity or reset date (five or seven years).
- Until December 1, 2010, Jumbo-Conforming Mortgages have been pooled separately from, and not with, other conforming Mortgages. On or after December 1, 2010, Jumbo-Conforming Mortgages may be pooled with Super-Conforming and other conforming Mortgages.
- In general,
  - Cooperative Share Mortgages,
  - Extended Buydown Mortgages or
  - Relocation Mortgages

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

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

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

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

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

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

### **Pool Factors and Monthly Reporting Periods**

#### ***Pool Factors***

As Administrator, we calculate and make available each month, including on our internet website and through approved vendors, the Pool Factor for each PC Pool. A “**Pool Factor**” is an exact decimal truncated to eight places which, when multiplied by the original principal amount of a PC, will equal the remaining principal amount of the PC. The Pool Factor for any month reflects the remaining principal amount after the payment to be made on the Payment Date:

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

Currently, we make Pool Factors available on or about the fifth Business Day of each month. The Pool Factor for a PC Pool for the month of its formation is always 1.00000000. We have the right to



change when the Pool Factors will be available and how we calculate them. We make payments on all PCs based on their applicable Pool Factors.

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

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

A **“Negative Amortization Factor”** is an exact decimal truncated to eight places that reflects the amount of deferred interest added to the principal balances of the Mortgages in a PC Pool in the preceding month. When negative amortization has occurred, we will make interest payments to you at the applicable PC Coupon, less the aggregate deferred interest indicated by the Negative Amortization Factor published in the previous month. We make Negative Amortization Factors available at the same time and in the same manner as the related Pool Factors.

### *Use of Factors*

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

- The difference between its Pool Factors for the preceding and current months, in the case of a Gold PC.
- The difference between its Pool Factors for the two preceding months, in the case of an ARM PC without a Negative Amortization Factor.
- The difference between its Pool Factors for the two preceding months, plus its Negative Amortization Factor, if any, for the preceding month, in the case of a Payment Capped ARM PC.

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

### *Monthly Reporting Periods*

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

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

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

### **Payment Dates**

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

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

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

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

### **Payments of Principal**

#### *General*

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

#### *Calculation of Principal Payments for Gold PCs*

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

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

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

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

### ***Calculation of Principal Payments for ARM PCs***

The principal payment in any month on an ARM PC reflects any principal payments on the related Mortgages reported by servicers for the applicable Monthly Reporting Period, including any prepayments, and the principal amount of any Mortgage repurchased during the applicable Monthly Reporting Period, as well as any full prepayments reported through the second Business Day of the calendar month following that Monthly Reporting Period. Neither we nor servicers advance principal payments on ARM PCs in the event of delinquent payments on the related Mortgages. In the absence of reports from servicers, we do not adjust the related Pool Factor. Rather, we reconcile any differences between actual payments on the Mortgages and principal payments on the ARM PCs as soon as practicable by adjusting subsequent Pool Factors.

### **Payments of Interest**

#### ***General***

Interest will accrue on each PC during each Accrual Period at the applicable PC Coupon. We compute interest on the basis of a 360-day year of twelve 30-day months. In the case of a Gold PC, the PC Coupon is set at the time of issuance and does not change. In the case of an ARM PC, the PC Coupon adjusts periodically, as described below. We generally publish the applicable PC Coupon for ARM PCs for an Accrual Period on or about the fifth Business Day in the relevant month.

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

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

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

The “**Accrual Period**” relating to any Payment Date is:

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

#### ***ARM PCs***

ARM PCs have PC Coupons that are based on the weighted average interest rate of the Mortgages in the related PC Pool, minus applicable servicing fees and our management and guarantee fee. The PC Coupon of an ARM PC is an exact decimal truncated to three places. *Description of the Mortgages — Indices* describes the Indices most often used to adjust ARMs and ARM PCs. To the extent the interest rate is modified and reduced for a Mortgage underlying an ARM PC, we only guarantee the timely payment of the modified interest rate and we are not responsible for any shortfalls between the original

contractual interest rate and the modified interest rate. However, generally it has been our practice, and it is our current practice, to purchase all Mortgages out of their PC Pools at the time of modification, including Mortgages underlying ARM PCs. Depending on circumstances, we can alter this practice at any time.

We calculate the PC Coupon of an ARM PC monthly and adjust it to reflect changes in the unpaid principal balances and interest rates of the related Mortgages. This monthly adjustment has no prescribed limit, although the related Mortgages will be subject to any applicable initial and periodic adjustment caps, lifetime ceilings and, in some instances, lifetime floors. The PC Coupon used to calculate the interest payment in a given month reflects the interest rates on the ARMs in the related PC Pool in effect for the preceding month.

The interest rates of the Mortgages underlying an ARM PC may adjust in different months and some, all or none of the Mortgages may adjust on a given date. As a result, the PC Coupon of an ARM PC may not fully reflect recent changes in the value of the applicable Index. In addition, disproportionate principal payments on the underlying Mortgages with different interest rates will affect the PC Coupon of an ARM PC. For example, if Mortgages with interest rates above the weighted average of the PC Pool are prepaid more frequently than Mortgages with interest rates at or below the weighted average, the weighted average of the interest rates in the PC Pool will decrease, and therefore the PC Coupon payable to Holders will be reduced.

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

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

### **Record Dates**

As Administrator, we pass through payments on each Payment Date to Holders as of the related Record Date. The “**Record Date**” for any Payment Date is the close of business on the last day of (a) the preceding month for Gold PCs or (b) the second preceding month for ARM PCs.

### **Final Payment Date**

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

### **Guarantees**

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

- The timely payment of interest at the applicable PC Coupon.

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

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

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

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

### **PC Pool Expenses**

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

### **Compensation of Servicers and Freddie Mac**

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

### **Pool Supplements**

As Administrator, we make available on our internet website a Pool Supplement for each PC Pool when it is formed. The Pool Supplement identifies on a pool-level basis the features of the Mortgages in the related PC Pool and sets forth data concerning that PC Pool. We have attached as *Appendix III* to this Offering Circular an example of a Pool Supplement, and definitions of terms we use in Pool Supplements are attached as *Appendix IV*. In some cases, a Pool Supplement may not include all of the information specified in *Appendix III*, and in other cases, additional information or legends may be included. Pool Supplements for PC Pools containing fixed-rate Mortgages contain different information than Pool Supplements for ARM PCs, and generally will exclude the data fields shown in *Appendix III* that are applicable only to ARM PCs and include the data fields that apply only to Gold PCs.

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

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

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

### **Loan-Level Data**

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

### **Form of PCs, Holders and Payment Procedures**

#### *Form*

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

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

#### *Holder*

The term "**Holder**" means any entity that appears on the records of a Federal Reserve Bank as a holder of particular PCs. Only banks and other entities eligible to maintain book-entry accounts with a

Federal Reserve Bank may be Holders of PCs. Investors who beneficially own PCs typically are not the Holders of those PCs. Investors ordinarily will hold PCs through one or more financial intermediaries, such as banks, brokerage firms and securities clearing organizations. For example, as an investor, you may hold a PC through a brokerage firm, which, in turn, holds through an entity eligible to maintain accounts with a Federal Reserve Bank. In that case, you would be the beneficial owner and that eligible entity would be the Holder.

A Holder that is not also the beneficial owner of a PC, and each other financial intermediary in the chain between the Holder and the beneficial owner, will be responsible for establishing and maintaining accounts for their customers. Neither we nor any Federal Reserve Bank will have a direct obligation to a beneficial owner of a PC that is not also the Holder.

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

### ***Denominations***

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

### ***Payment Procedures***

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

## **PREPAYMENT, YIELD AND SUITABILITY CONSIDERATIONS**

### **Prepayments**

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

- Prepayments by the borrower.
- Liquidations resulting from default, casualty or condemnation.
- Payments we make, as Guarantor, under our guarantee of principal, other than payments of scheduled principal.
- Prepayments resulting from the repurchase of Mortgages from a PC Pool due to default, delinquency, refinancings and modifications (including under our Relief Refinance and Home Affordable Modification Programs), inaccurate representations and warranties made by sellers or other factors.

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

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

- The number of borrowers and Mortgages that qualify to be refinanced or modified under our Relief Refinance and Home Affordable Modification Programs.
- Levels of current mortgage interest rates and borrower refinancing activity.
- The age, principal amount, geographic distribution and payment terms of Mortgages.
- Characteristics of the borrowers (such as credit score) and their equity positions in their houses (whether the LTV ratio is high or low). In particular, borrowers with substantial equity in their houses may be inclined to engage in cash-out refinancings in which the refinancing mortgage has a higher principal balance than the refinanced mortgage. This technique enables the borrower to convert all or a portion of the equity into cash.
- Procedures implemented by Mortgage originators and servicers to ease the burden on themselves and borrowers of processing refinance loans. These changes may include reducing the amount of documentation and costs required to refinance and easing underwriting standards, which could encourage borrowers to refinance their Mortgages. Some of our Mortgage purchase programs may facilitate these practices. For example, certain eligible borrowers applying for Relief Refinance Mortgages may be subject to streamlined underwriting and other procedures.
- The rate of defaults and resulting repurchases of the Mortgages in a PC Pool. Defaults may increase during periods of economic recession, mortgage credit contraction, stricter underwriting standards that may inhibit refinancings, natural disasters, declining property values or increased use of secondary financing or as a result of other factors that decrease borrowers' equity. Such adverse developments could also have a greater impact on certain states or geographical regions. Depending on how long a Mortgage has been in default and the likelihood the borrower will resume making payments, we may repurchase a defaulted Mortgage from its PC Pool, which would have the same effect on the Holder as a prepayment of the Mortgage. See *Risk Factors — Prepayments and Yield Factors — Substantial repurchases of seriously delinquent Mortgages from PC Pools could materially affect PC prepayment speeds* and *— Credit Factors*.
- Active solicitation by originators and servicers. Many mortgage servicers, including sellers of Mortgages to Freddie Mac, solicit borrowers to refinance their Mortgages. In particular, servicers may solicit borrowers to refinance in an effort to preserve servicing income. To mitigate this risk, our Guide places restrictions on solicitation of borrowers which are intended to prevent servicers from targeting borrowers under Mortgages they service for us more actively than they target other borrowers. However, under our Relief Refinance Program, a number of borrowers under Mortgages may be solicited for refinancings.
- Repurchases of Mortgages from PC Pools may occur when the terms of those Mortgages are refinanced or the Mortgages are modified as a result of default or imminent default,



including under our Relief Refinance or Home Affordable Modification Programs. See *Risk Factors — Prepayments and Yield Factors* and *— Increased Mortgage refinance, modification and other loss mitigation programs could materially affect PC prepayment speeds*.

- Changes in local industry and population migration and relocation as they affect housing turnover.
- Servicing fee rates. PC Pools containing Mortgages that are subject to servicing fee rates that are relatively high may experience different prepayment rates than PC Pools in which relatively low servicing fee rates predominate.
- The use of special financing arrangements, including buydown plans or other provisions that cause the amount of the borrower's payment to change during the term of the Mortgage.
- In the case of ARMs, fluctuations in the reference Index values, the extent of periodic adjustments on the underlying Mortgage interest rates, the extent to which the initial Mortgage interest rates are discounted from their fully indexed rates and the extent to which borrowers exercise conversion options on convertible ARMs.
- The desire of borrowers to reduce the LTV ratio to 80% or below to eliminate the requirement for mortgage insurance on a Mortgage.
- Repurchases of Mortgages from PC Pools may occur due to breaches of representations and warranties by sellers of the Mortgages. See *Risk Factors — Prepayments and Yield Factors — We have a substantial backlog of repurchase requests to sellers and their fulfillment could affect PC prepayment speeds*.
- The prepayment behavior of relatively small PC Pools is likely to be less consistent and less predictable than is the prepayment behavior of larger PC Pools.

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

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

- Hybrid ARMs may be prone to refinancing toward the end of their fixed-rate period.
- Convertible ARMs may be converted to fixed-rate mortgages, which will be repurchased from the PC Pool shortly before their conversion.
- Payment Capped ARMs have weighted average lives that can lengthen if negative amortization occurs and shorten if accelerated amortization occurs.
- ARMs tend to have higher default rates than fixed-rate Mortgages.
- Biweekly Mortgages have weighted average lives that are shorter than those of otherwise similar monthly payment Mortgages.
- Prepayment Penalty Mortgages may tend to prepay differently than Mortgages without prepayment penalties. Depending on a variety of factors, including possible waivers of the penalty, the timing of any notification to the borrower of applicable waivers and the interest

rate environment, the prepayment behavior of Prepayment Penalty Mortgages is difficult to predict.

- Initial Interest Mortgages, which permit borrowers to pay only accrued interest for extended periods without requiring principal amortization, may affect borrower decisions regarding the sale of property or refinancing because the borrower may not have reduced the principal balance of the Mortgage by making unscheduled principal payments. Unless the borrower makes unscheduled principal payments during the interest only period, equity accretion for the borrower during that period will result solely from market price appreciation on the related property. In addition, when scheduled principal payments on these Mortgages commence, the required monthly payment may increase substantially because scheduled principal payments are calculated to pay off such a Mortgage over its then remaining term. We ceased purchasing Initial Interest Mortgages on September 1, 2010.
- Jumbo-Conforming Mortgages and Super-Conforming Mortgages may tend to prepay differently than other conforming Mortgages because of a number of factors, including their larger relative principal balance (and larger resulting savings in the case of refinancing in a low interest rate environment), the entry of Freddie Mac and Fannie Mae into the secondary market for such Mortgages (which may tend to reduce the prevailing interest rates offered by lenders for extending such Mortgages and to increase funds available for such Mortgages) and the possible geographic concentration of such Mortgages.
- Reduced Servicing Fee Mortgages have a minimum servicing fee level that is below 0.25% per annum of the principal balance of the Mortgages, which is the prevailing minimum servicing fee level for Mortgages we acquire. Reduced Servicing Fee Mortgages may experience different prepayment rates than Mortgages to which our prevailing minimum servicing fee level applies and which have similar interest rates or which are included in PC Pools with similar pass-through rates.
- FHA/VA Mortgages may exhibit different prepayment behavior than Conventional Mortgages because they are underwritten using different criteria and are usually Assumable Mortgages.

Different types of Mortgages may be affected differently by the same factor, and some factors may affect prepayment behavior on only some types of Mortgages. For example:

- Extended Buydown Mortgages may experience higher default rates than other Buydown Mortgages because they provide for larger increases in the effective interest rates to borrowers.
- Jumbo-Conforming Mortgages and Super-Conforming Mortgages may experience higher default rates than other Mortgages because, among other factors, they require relatively higher monthly payments.
- Second Mortgages may be more likely to be prepaid than first lien mortgages because they tend to have higher interest rates, shorter maturities and lower principal amounts than first lien mortgages.
- Relocation Mortgages could be less sensitive than other types of Mortgages to prepayments resulting from decreasing interest rates and more sensitive than other types of Mortgages to

prepayments resulting from home sales. The prepayment behavior of Relocation Mortgages also generally depends on the circumstances of individual employees and employers and the characteristics of the specific relocation programs involved.

- Assumable Mortgages could be less sensitive than other types of Mortgages to prepayments due to home sales because they may not have to be prepaid when the mortgaged property is sold to a qualified borrower.

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

In addition, mortgage servicing decisions, including seeking alternatives to foreclosure, may impact the prepayment behavior of particular PC Pools. In approving alternatives to foreclosure and in determining whether or when Mortgages will be repurchased from a PC Pool, we consider several factors. See *Description of the Mortgages — Mortgage Purchase and Servicing Standards — Defaults and Delinquencies*.

The rate of principal payments on a PC Pool may vary significantly from month to month as a result of fluctuations in the principal payment rates of its underlying Mortgages. A PC Pool may experience payment behavior that is similar to or different from that experienced by other PC Pools consisting of similar Mortgages. In addition, any PC Pool could experience payment behavior that is significantly different from other PC Pools, particularly if it contains a relatively small number of Mortgages, contains Mortgages from only one seller or has been formed specifically to emphasize one or more specific loan characteristics, such as borrower credit rating or loan size.

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

## **Yields**

### ***General***

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

- The price you paid for your PCs.
- The PC Coupon for your PCs.
- The rate of principal prepayments on the underlying Mortgages.
- The payment delay of your PCs.
- In the case of ARM PCs, the values of the applicable Index.
- In the case of ARM PCs, the effect of any periodic interest rate and payment adjustments (and any associated adjustment caps, lifetime ceilings and lifetime floors) on the underlying ARMs.

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

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

- If you purchase a PC at a discount to its principal amount and the rate of principal payments on the underlying Mortgages is slower than you expect, you will receive payments over a longer period than you expect, so the yield on your investment will be lower than you expect.
- If you purchase a PC at a premium over its principal amount and the rate of principal payments on the underlying Mortgages is faster than you expect, you will receive payments over a shorter period than you expect, so the yield on your investment will be lower than you expect.
- In general, the rate of Mortgage prepayments early in your investment has the greatest effect on your yield to maturity. A negative effect on your yield produced by principal prepayments at a higher (or lower) rate than you expect in the period immediately following your purchase of a PC is not likely to be offset by an equivalent reduction (or increase) in that rate in later periods.
- Mortgages tend to prepay fastest when prevailing interest rates are low. When this happens, you may not be able to reinvest your principal payments in comparable securities at as high a yield.
- In a high interest rate environment, Mortgages tend to prepay more slowly. When this happens, you may not receive principal payments, which could otherwise be reinvested in comparable securities at a higher yield, as quickly as you expect.

### *Yields of ARM PCs*

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

- PC Coupons for ARM PCs generally adjust monthly based on a weighted average of the interest rates on the underlying Mortgages. Several factors will affect these PC Coupons:
  - Disproportionate principal payments, including prepayments, on the underlying Mortgages that have relatively low, or high, interest rates compared to the other Mortgages in the same PC Pool will affect the level of the PC Coupon for the related ARM PCs, even if the interest rates on the remaining Mortgages do not change.

- The PC Coupon of your ARM PCs may not fully reflect current interest rates or Index values because the underlying Mortgage interest rates may adjust on various dates and at various intervals and typically adjust less frequently than monthly. In addition, the interest rates of the underlying Mortgages typically adjust based on an Index value published some time before such adjustment (the lookback period) and there may be a gap of up to several months from the publication of the applicable Index value until the PC Coupon reflects the adjusted value.
- Although there are generally no limits on monthly PC Coupon adjustments for ARM PCs, interest rates on the underlying ARMs may be subject to adjustment caps, lifetime ceilings and, in some cases, lifetime floors. As a result of these limitations, the PC Coupon on an ARM PC at any time may not reflect the applicable Index value or changes in that value from period to period.
- When mortgage interest rates are generally low, which usually results in faster prepayments, the applicable Index value may be relatively high. On the other hand, when mortgage interest rates are generally high, which usually results in slower prepayments, the applicable Index value could be relatively low. Either of these scenarios could result in a lower than expected yield on the ARM PCs. In addition, depending on how frequently the underlying ARMs adjust and the existence of any adjustment caps, in an increasing interest rate environment, the rate of default could increase, which could reduce your yield on the ARM PCs.
- The value of an Index will generally change from time to time. Even if the average value of an Index is consistent with your expectations, the timing of any changes in that value may affect your actual yield. In general, the earlier a change in the value of the applicable Index, the greater the effect on your yield. As a result, a negative effect on your yield produced by an Index value that is higher (or lower) than you expect early in your investment is not likely to be offset by an equivalent reduction (or increase) in that value in later periods.
- If the Index values used to adjust the interest rates of underlying ARMs are lower than you expect, the yield on your investment could be lower than you expect, especially if prepayments are slow. Even if the index value is higher than you expect but prepayments are fast, your yield could be lower than you expect.
- The CMT Index and LIBOR tend to reflect current market rates, and their values may be more volatile than the value of Eleventh District COFI or other Indices which reflect averages of rates in effect over longer periods of time.
- If you invest in Payment Capped ARM PCs, the application of payment caps may result in negative amortization or accelerated amortization, which may affect your yield.

### ***Payment Delay***

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

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

### **Suitability**

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

- PCs are not appropriate investments if you require a single lump sum payment on a date certain, or if you require an otherwise definite payment stream.
- A market may not develop for the sale of some types of PCs after their initial issuance. Even if a market develops, it may not continue. As a result, you may not be able to sell your PCs easily or at prices that will allow you to realize your desired yield.
- The market values of your PCs are likely to fluctuate, primarily in response to changes in prevailing interest rates. Such fluctuations may result in significant losses to you.
- The secondary markets for some PCs have experienced periods of illiquidity in the past, and can be expected to do so again in the future. Illiquidity can have a severely negative impact on the prices of PCs, especially those that are particularly sensitive to prepayment or interest rate risk.
- PCs are complex securities. Before investing in a PC, you should be able, either alone or with a financial advisor, to evaluate the information contained and incorporated in this Offering Circular and in any related Pool Supplement. You should evaluate the information in the context of your personal financial situation and your views on possible and likely interest rate and economic scenarios.

This Offering Circular does not describe all the possible risks of an investment in PCs that may result from your particular circumstances, nor does it project how PCs will perform under all possible interest rate and economic scenarios. You should purchase PCs only if you, alone or together with your financial advisor, understand the prepayment, yield, liquidity and market risks associated with your investment under a variety of interest rate and economic scenarios and you have sufficient financial resources to bear all the risks related to your PCs.

## **THE TRUST AGREEMENT**

Under the PC Master Trust Agreement dated as of June 20, 2011, as amended from time to time, as Depositor, we transfer and deposit Mortgages that we have acquired into various trust funds. As Trustee, we create and issue PCs under the Trust Agreement and related Pool Supplements. The following

summary describes various provisions of the Trust Agreement. This summary is not complete. You should refer to the Trust Agreement if you would like further information about its provisions. You can obtain copies of the Trust Agreement from our internet website or by contacting Investor Inquiry as shown under *Additional Information*. Your receipt and acceptance of a PC, without any signature or other indication of assent, constitutes your unconditional acceptance of all the terms of the Trust Agreement.

### **Transfer of Mortgages to PC Pool**

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

### **Repurchase and Substitution of Mortgages**

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

Repurchases or substitutions may occur in the following situations:

- As Guarantor, we may repurchase a Mortgage in connection with a payment on our guarantee of that Mortgage.
- As Administrator, we may repurchase, or require or permit a seller or servicer to repurchase, a Mortgage if a repurchase is necessary or desirable:
  - to maintain servicing of the Mortgage in accordance with provisions of the Guide, or
  - to maintain the status of the PC Pool as a grantor trust for federal income tax purposes.
- We may repurchase under our guarantees or, as Administrator, require or permit a seller or servicer of a Mortgage to repurchase, any Mortgage if:
  - such Mortgage is 120 days or more delinquent, or
  - we determine, on the basis of information from the related borrower or servicer, that loss of ownership of the property securing such Mortgage is likely or default is imminent due to borrower incapacity, death or hardship or other extraordinary circumstances that make future payments on such Mortgage unlikely or impossible.
- As Guarantor, we may repurchase a Mortgage if a bankruptcy court approves a plan that materially affects the terms of the Mortgage or authorizes a transfer or substitution of the underlying property.
- As Administrator, we may require or permit the seller or servicer of a Mortgage to repurchase the Mortgage or (within six months of the issuance of the related PCs) substitute for the

Mortgage a Mortgage of comparable type, unpaid principal balance, remaining term and yield, if there is:

- a material breach of warranty by a seller or servicer of the Mortgage,
- a material defect in the documentation for the Mortgage, or
- a failure by a seller or servicer to comply with any requirements or terms set forth in the Guide and Mortgage purchase documents.
- As Administrator, we will repurchase a Mortgage or (within two years of the issuance of the related PCs) substitute for the Mortgage a Mortgage of comparable type, unpaid principal balance, remaining term and yield, if:
  - a court of competent jurisdiction or a federal government agency duly authorized to oversee or regulate Freddie Mac's mortgage purchase business determines that Freddie Mac's purchase of the Mortgage was unauthorized and Freddie Mac determines that a cure is not practicable without unreasonable effort or expense, or
  - such court or government agency requires a repurchase of the Mortgage.
- As Administrator, we will repurchase or require or permit the seller or servicer to repurchase:
  - a convertible ARM when the borrower exercises the option to convert the related interest rate from an adjustable rate to a fixed rate, and
  - a Balloon/Reset Mortgage shortly before it reaches its scheduled maturity or reset date.

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

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

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

As Administrator, we hold principal and interest payments collected from our servicers and used to pay Holders in an account or accounts separate from our own corporate funds. Such separate account(s), collectively, are called the custodial account and funds held in the custodial account are held in trust for the benefit of Holders of PCs. The custodial account is the account from which Holders are paid. Amounts on deposit in the custodial account may be commingled with funds for all PC Pools and for other Freddie Mac mortgage securities (and temporarily with other collections on Mortgages) and are not separated on a PC Pool by PC Pool basis. As Administrator, we are entitled to investment earnings on funds on deposit in the custodial account and we are responsible for any losses. Holders are not entitled to



any investment earnings from the custodial account. We may invest funds in the custodial account in eligible investments set forth in the Trust Agreement prior to distribution to Holders.

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

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

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

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

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

### **Events of Default**

“**Events of Default**” under the Trust Agreement are:

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

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

If an Event of Default under the Trust Agreement is not remedied, the Holders of a majority of the outstanding principal amount of any affected PC Pool may remove us as Administrator and nominate a successor as to that PC Pool. That nominee will replace us, as Administrator, unless we object within 10 days after the nomination. In that event, either we or anyone who has been a bona fide Holder of an affected PC for at least six months may ask a court to appoint a successor. The court may then appoint our successor as Administrator. Any such removal will not affect our guarantee obligations.

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

For these purposes, PCs held by Freddie Mac for its own account will be disregarded.

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

Under the Purchase Agreement between Treasury and us, PC Holders are given certain limited rights against Treasury under the following circumstances: (i) we default on our guarantee payments, (ii) Treasury fails to perform its obligations under its funding commitment, and (iii) we and/or the Conservator are not diligently pursuing remedies in respect of that failure. In that case, the Holders of the affected PCs may file a claim in the U.S. Court of Federal Claims for relief requiring Treasury to fund to us up to the lesser of (1) the amount necessary to cure the payment default and (2) the lesser of (a) the amount by which our total liabilities exceed our total assets, as reflected on our balance sheet prepared in accordance with generally accepted accounting principles, and (b) the maximum amount of Treasury's funding commitment under the Purchase Agreement less the aggregate amount of funding previously provided under this commitment. The enforceability of such rights has been confirmed by the Office of Legal Counsel of the U.S. Department of Justice in an opinion dated September 26, 2008.

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

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

### **Amendment**

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

- Cure any ambiguity or correct or add to any provision in the Trust Agreement or any Pool Supplement, if the amendment does not adversely affect Holders in any material way.
- Maintain the qualification of any PC Pool as a grantor trust for federal income tax purposes.

- Avoid the imposition of any state or federal tax on a PC Pool.
- Modify our procedures for calculating payments to Holders or passing through prepayments as set forth in the Trust Agreement.

With the consent of the Holders of a majority of the outstanding principal amount of any affected issue of PCs, Freddie Mac and the Trustee also may amend the Trust Agreement or any Pool Supplement in any other way. However, unless each affected Holder consents, Freddie Mac and the Trustee may not amend the Trust Agreement or any Pool Supplement to impair the rights of a Holder to receive payments (including guarantee payments) when due or to sue for any payment that is overdue.

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

### **Tax Information**

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

### **Termination**

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

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

Neither Freddie Mac, in its corporate capacity, nor any of our directors, officers, employees and agents will be liable to Holders for any action taken or omitted in good faith or for errors in judgment. However, neither we nor they will be protected against any liability that results from willful misfeasance, bad faith, gross negligence or reckless disregard of obligations. As Administrator, we are required to hold and administer Mortgages in a PC Pool using the same standards as we use for similar mortgages that we own.

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

In addition, Freddie Mac does not need to appear in any legal action that is not incidental to its responsibilities under the Trust Agreement or any Pool Supplement and that it believes may result in any

expense or liability. However, Freddie Mac may undertake any legal action that it believes is necessary or desirable in the interests of the Holders. Freddie Mac will bear the legal costs of any such action.

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

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

## **Governing Law**

The Trust Agreement is to be interpreted in accordance with federal law. If there is no applicable federal precedent and if the application of New York law would not frustrate the purposes of the Freddie Mac Act, the Trust Agreement and any Pool Supplement or any transaction under the Trust Agreement and any Pool Supplement, then New York law will be deemed to reflect federal law.

## **CERTAIN FEDERAL INCOME TAX CONSEQUENCES**

### **General**

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

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

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

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

### **Tax Status**

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

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

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

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

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

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

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

### **Discount and Premium**

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

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

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

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

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

### ***Market Discount***

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

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

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

### ***Premium***

If you have purchased your interest in any Mortgage at a premium, the premium may be amortizable under a constant interest method at your election under Section 171 of the Code. The premium is treated

as an offset to interest income includable with respect to the Mortgage. An election to amortize premium will apply to all debt instruments you hold at the beginning of the tax year for which you make the election and to all such instruments acquired after the election. An election to amortize premium can be revoked only with the Service's consent.

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

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

### ***Sale or Exchange of a PC***

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

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

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

### **Application of the Stripped Bond Rules**

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

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

The Service has issued guidance taking the position that, when Mortgages are sold and the servicer is entitled to receive amounts that exceed reasonable compensation for the mortgage servicing to be performed, the Mortgages are treated as stripped bonds within the meaning of Section 1286 of the Code.

If this treatment applies, for tax purposes you would not be treated as having a pro rata undivided interest in the underlying Mortgages, but rather you would be treated as owning “stripped bonds” to the extent of your share of principal payments and “stripped coupons” to the extent of the class coupon plus reasonable servicing fees and guarantee fees. Under Section 1286, you would be treated as if the payments to be received in respect of your ownership interest in the Mortgages were purchased at an original issue discount equal to the difference between the price at which you are considered to have paid for such payments and the total amount of such payments. You would include in income such original issue discount in accordance with the rules for original issue discount under the Code. Effectively, you would report both interest and discount on the Mortgages as ordinary income as income accrues under a constant yield method under Series 1271-1273 and 1275 of the Code.

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

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

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

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

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

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



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

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

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

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

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

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

## **ERISA CONSIDERATIONS**

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

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

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

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

### **LEGAL INVESTMENT CONSIDERATIONS**

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

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

### **ACCOUNTING CONSIDERATIONS**

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

### **DISTRIBUTION ARRANGEMENTS**

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

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

Under our Guarantor Program, we purchase Mortgages from a single seller and, as Depositor, deposit such Mortgages in a PC Pool under the Trust Agreement and applicable Pool Supplement. As Trustee, we create and issue, under the Trust Agreement and that Pool Supplement, on behalf of the related PC Pool, PCs representing undivided interests in those same Mortgages. As Depositor, we deliver these PCs to the Seller as consideration for the Mortgages. Under our MultiLender Swap Program, we

purchase Mortgages and in exchange deliver PCs with a principal balance equal to the aggregate principal balance of the purchased Mortgages. Participants in the MultiLender Swap Program that deliver certain types of Mortgages receive a Freddie Mac Giant PC. Mortgage sellers who acquire PCs or Freddie Mac Giant PCs in exchange for Mortgages may hold those PCs or Freddie Mac Giant PCs or sell them to investors upon acquisition or at a later time.

## **SECONDARY MARKETS, MORTGAGE SECURITY PERFORMANCE AND MARKET SUPPORT ACTIVITIES**

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

You can obtain prices for PCs by contacting the securities dealers selling and making a market in those PCs. You can obtain a list of PC dealers by contacting Investor Inquiry as shown under *Additional Information*.

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

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

We may increase, reduce or discontinue these or other related activities at any time, which could affect the liquidity and depth of the market for PCs. We support the execution of our credit guarantee business by adjusting our guarantee fee. For example, if the price performance of, and demand for, our PCs is not comparable to mortgage-backed securities issued by Fannie Mae on future mortgage deliveries by sellers, we may use market-adjusted pricing where we provide guarantee fee price adjustments to partially offset weaknesses in prevailing security prices and increase the competitiveness of our credit guarantee business.

We seek to support the price performance of our PCs through a variety of strategies, including the purchase and sale of PCs and other agency securities, as well as through the issuance of mortgage securities that are backed by our PCs. Our purchases and sales of mortgage-related securities influence the relative supply and demand for these securities, and the issuance of mortgage securities that are backed by our PCs helps support the price performance of our PCs. Depending upon market conditions, including the relative prices, supply of and demand for PCs and comparable Fannie Mae securities, as well as other factors, there may be substantial variability in any period in the total amount of securities we purchase or sell, and in the success of our efforts to support the liquidity and price performance of our PCs. We may increase, reduce or discontinue these or other related activities at any time, which could affect the liquidity of the market for PCs. The Incorporated Documents contain additional information about our security performance and market support activities.

## **CERTAIN RELATIONSHIPS AND TRANSACTIONS**

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

INDEX OF TERMS

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

	<u>Page</u>
40-year Mortgage . . . . .	30
Accrual Period . . . . .	43
Additional Supplements . . . . .	2
Administrator . . . . .	9
Annual ARMs . . . . .	26
ARM PC . . . . .	10
ARMs . . . . .	9
Assumable Mortgage . . . . .	28
Balloon/Reset Mortgages . . . . .	25
Biweekly Mortgage . . . . .	28
Buydown Mortgage . . . . .	29
Business Day . . . . .	42
Cash Program . . . . .	38
CD Index . . . . .	27
CMT Index . . . . .	27
Code . . . . .	60
Conservator . . . . .	3
Contract Rate Index . . . . .	27
Conventional Mortgages . . . . .	24
Cooperative . . . . .	30
Cooperative Share Mortgage . . . . .	30
CUSIP Number . . . . .	46
Depositor . . . . .	9
Eleventh District COFI . . . . .	27
ERISA . . . . .	65
Events of Default . . . . .	57
Exchange Act . . . . .	8
Extended Buydown Mortgage . . . . .	29
Fannie Mae . . . . .	4
Federal COF Index . . . . .	27
Federal Reserve . . . . .	17
FHA/VA Mortgages . . . . .	24
FHFA . . . . .	3
Final Payment Date . . . . .	44
Freddie Mac . . . . .	9
Freddie Mac Act . . . . .	3
Gold PC . . . . .	10
Guarantor . . . . .	9
Guarantor Program . . . . .	38
Guide . . . . .	34
HAFAs . . . . .	6
HAMP . . . . .	5
H.15 Release . . . . .	27
High LTV Mortgage . . . . .	29
Holder . . . . .	46
Home Affordable Foreclosure Alternatives Program . . . . .	6
Home Affordable Modification Program . . . . .	5
HUD . . . . .	3

	<u>Page</u>
Hybrid ARMs.....	26
Incorporated Documents .....	8
Index .....	25
Initial Interest ARMs .....	26
Initial Interest Mortgages .....	30
Jumbo-Conforming ARMs .....	29
Jumbo-Conforming Mortgage .....	29
Level Payment Mortgages .....	25
LIBOR .....	28
LTV .....	5
MHA Program .....	5
Margin .....	25
Monthly Reporting Period .....	41
Mortgages .....	9
MultiLender Swap Program .....	38
National COF Index .....	28
Negative Amortization Factor .....	41
Payment Capped ARMs .....	26
Payment Capped ARM PCs .....	41
Payment Date.....	42
PC Coupon.....	10
PC Pool Number .....	38
PC Pools .....	9
PCs.....	Cover
Pool Factor.....	40
Pool Supplement .....	2
Prepayment Penalty Mortgage .....	30
Prime Rate .....	28
Prefix .....	38
Purchase Agreement.....	4
Rate Capped ARMs .....	25
Record Date .....	44
Recovery Act .....	33
Reduced Servicing Fee Mortgage.....	31
Reform Act .....	3
Reinstated FHA/VA Mortgage .....	31
Relief Refinance Mortgage .....	5
Relief Refinance Program .....	5
Relocation Mortgage .....	31
Rural Development .....	24
SEC .....	8
Second Mortgage .....	31
Service .....	61
Semi-annual Secondary Market Treasury Index.....	28
Simple Interest Mortgage.....	31
Stimulus Act .....	29
Super-Conforming ARM .....	29
Super-Conforming Mortgage .....	29
Treasury .....	4
Trust Agreement.....	8
Trustee .....	9
Twelve-Month Average CMT Index.....	28
U.S. Person .....	65

## FREQUENTLY USED PC PREFIXES

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

### Gold PCs

<u>Description of Mortgage</u>	<u>Prefixes</u>
30-year . . . . .	A0-A9, C0-C8 and D0-D8
15-year . . . . .	B0-B1, E0-E9 and J0-J9
20-year . . . . .	C9, D9 and F8
40-year . . . . .	K3
5-year Balloon/Reset . . . . .	L7, L9, M0, M1 and M9
7-year Balloon/Reset . . . . .	L8, M8, N8 and N9
Extended Buydown . . . . .	F0 (30-year) and F1 (15-year)
Relocation . . . . .	N2-N3 (30-year) and M2-M3 (15-year)
Biweekly (various) . . . . .	N4-N5, O2 (30-year), M4-M5 and O3 (15-year)
Cooperative Share . . . . .	N6-N7 (30-year) and M6-M7 (15-year)
Newly Originated Assumable . . . . .	T3 (30-year) and T1 (15-year)
Jumbo/Super-Conforming	
Mortgages* . . . . .	T4 (15-year), T5 (20-year), T6 (30-year) and T9 (40-year)
High LTV Mortgages (LTV is greater than 105% and less than or equal to 125%) . . . . .	U4 (15-year), U5 (20-year) and U6 (30-year)
Mini-PCs (standard mortgage types) . . . . .	B2-B3 (30-year), F9 (20-year), B4-B5 (15-year) and L5, L6 (5-year/7-year Balloon)
Mini-PCs (various mortgage types) . . . . .	F6 (FHA/VA), O5, U3 (30-year), O6 and U1 (15-year)
FHA/VA . . . . .	B6-B8 (30-year), B9 (other), F5 (20-year) and F7 (15-year)
Second Mortgages . . . . .	N0 (15-year) and N1 (30-year)
Non-Standard . . . . .	L1
Prepayment Penalty Mortgages . . . . .	P0, P1 (30-year/15-year 3-year/2%), P2 and P3 (30-year/15-year 5-year/6 months)
Various Prepayment Penalties . . . . .	P4, P5 and P6 (40-year/30-year/15-year)
Initial Interest . . . . .	H0 (10/20), H1 (15/15), H3 (Safesteps), H2 (10/10), H4 (10/20, Jumbo-Conforming), H5 (10/5), H6 (10/5, various prepayment penalties), H7 (10/10, various prepayment penalties), H8 (10/20, various prepayment penalties), V2 (5/25), V3 (5/25, various prepayment penalties), V4 (5/10) and V5 (5/10, various prepayment penalties)
Reduced Minimum Servicing . . . . .	L0 (30-year, fixed-rate, 12.5 bps), L2 (20-year, fixed-rate, 12.5 bps) and L4 (15-year, fixed-rate, 12.5 bps)
Reduced Minimum Servicing . . . . .	K0 (30-year, fixed-rate, less than 12.5 bps), K1 (15-year, fixed-rate, less than 12.5 bps), K2 (20-year, fixed-rate, less than 12.5 bps) and K8 (40-year, fixed-rate, less than 25 bps)

\* Prior to December 1, 2010, these PC Pools are comprised of Jumbo-Conforming Mortgages (up to \$729,750 for a one-family residence). On or after December 1, 2010, these PC Pools may also be comprised of (i) Super-Conforming Mortgages (up to \$729,750 for a one-family residence) under the Reform Act, the Recovery Act and ensuing legislative acts and (ii) base conforming Mortgages (up to \$417,000 for a one-family residence).

## ARM PCs

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

### Prefixes

#### *Treasury Indices*

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

#### *COF Indices*

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

#### *LIBOR Indices*

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

#### *Other Indices*

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

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



**EXAMPLE POOL SUPPLEMENT**

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

**PC Pool Number XXXXXX**

**Pool Supplement**

(To PC Offering Circular Dated June 20, 2011,  
as supplemented or amended)



**FREDDIE MAC**  
**Mortgage Participation Certificates**  
**Adjustable-rate Mortgages with Interest Only Periods**

Capitalized terms used in this Pool Supplement (other than capitalized terms that are defined in this document) have the same meanings as in Freddie Mac’s Mortgage Participation Certificates Offering Circular dated June 20, 2011, as it may be supplemented from time to time (the “PC Offering Circular”). This Pool Supplement incorporates by reference the PC Offering Circular.

The PCs may not be suitable investments for you. You should not purchase PCs unless you have carefully considered and are able to bear the associated prepayment, interest rate, yield and market risks of investing in them, as described in the PC Offering Circular. This Pool Supplement supplements the PC Master Trust Agreement dated as of June 20, 2011 and constitutes the Pool Supplement within the meaning of that Trust Agreement for the PC Pool described herein.

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

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

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

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

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

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

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

**PC Pool Number XXXXXX**

**DESCRIPTION OF PC POOL**

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

**POOL INFORMATION**

9	Seller .....	XXXXXXXXXX
10	WAC†† .....	6.055%
11	AOLS* .....	\$176,208
12	WAOLS* .....	\$204,447
13	WALA* .....	XX
14	WAOLT* .....	XX
15	WARM* .....	359
16	WAOCS* .....	711
17	WAOLTV* .....	82
18	WAOCLTV* .....	82
19	WAODTI* .....	46
20	Third Party Organization .....	0.00%
21	Reduced Minimum Servicing .....	N
22	WAMTAM*+ .....	120
23	Initial Interest Period+ .....	10
24	Legend .....	

**UNKNOWN ORIGINAL CREDIT SCORE, ORIGINAL LTV,  
ORIGINAL CLTV AND ORIGINAL DTI\***

	% of UPB	# of Loans	% of Loans
25 Unknown Credit Score .....	0.00%	0	0.00%
26 Unknown LTV .....	0.00%	0	0.00%
27 Unknown CLTV .....	0.00%	0	0.00%
28 Unknown DTI .....	0.00%	0	0.00%

† Updated monthly for ARM PCs only.

†† Updated monthly for Gold PCs only.

\* Updated monthly for Gold PCs and ARM PCs.

+ Initial Interest PCs only.

**PC Pool Number XXXXXX**

**ARM SPECIFIC INFORMATION**

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

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

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

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

**HIGH AND LOW MORTGAGE DATA†**

48-49 Remaining Maturity Low-High	50-51 Note Rate Low-High	52-53 Margin Low-High	54-55 Lifetime Ceiling Low-High	56-57 Lifetime Floor Low-High
358-360	5.375% - 7.125%	2.750% - 2.750%	11.375% - 13.125%	1.857% - 1.857%

† Updated monthly for ARM PCs only.

†† Updated monthly for Gold PCs only.

\* Updated monthly for Gold PCs and ARM PCs.

**PC Pool Number XXXXXXXX**

**ARM PC COMPONENT LEVEL DATA†**

58 Component Coupon Adjustment Date	59 Component First P&I Payment Date+	60 Component UPB	61 Component Number of Loans	62 Component Coupon	63-64 Component Coupon Low-High
11/01/2009 . . . . .	12/01/2014	\$1,623,747.97	10	5.392%	4.910% - 6.410%
12/01/2009 . . . . .	01/01/2015	5,470,506.43	4	5.276%	4.660% - 6.160%
01/01/2010 . . . . .	02/01/2015	1,363,013.92	2	5.531%	4.910% - 5.785%

Component Coupon Adjustment Date (continued)	Component First P&I Payment Date+ (continued)	65 Component Margin	66-67 Component Margin Low-High	68 Component Lifetime Ceiling	69-70 Component Lifetime Ceiling Low-High	71 Component Floor	72-73 Component Floor Low-High
11/01/2009 . . . . .	12/01/2014	2.035%	2.035% - 2.035%	11.392%	10.910% - 12.410%	1.857%	1.857% - 1.857%
12/01/2009 . . . . .	01/01/2015	2.035%	2.035% - 2.035%	11.276%	10.660% - 12.160%	1.857%	1.857% - 1.857%
01/01/2010 . . . . .	02/01/2015	2.035%	2.035% - 2.035%	11.531%	10.910% - 11.785%	1.857%	1.857% - 1.857%

**QUARTILE DISTRIBUTION\***

	78 Note Rate††	79 Original Loan Size*	80 Remaining Maturity*	81 Loan Age*	82 Loan Term*	83 Original Credit Score*	84 Original LTV*	85 Original CLTV	86 Original DTI
74 Quartile 1 . . . . .	Gold PCs Only	66,000 - 42,000	148-239	0-000	234-240	645 - 679	38 - 080	40 - 82	19 - 037
75 Quartile 2 . . . . .		142,000 - 208,000	239-240	0-000	240-240	679 - 700	80 - 080	83 - 85	37 - 049
76 Quartile 3 . . . . .		208,000 - 268,000	240-240	0-001	240-240	700 - 746	80 - 090	86 - 092	49 - 058
77 Quartile 4 . . . . .		268,000 - 334,000	240-240	1-009	240-240	746 - 773	90 - 095	93 - 097	58 - 063

**87 LOAN PURPOSE\***

Type	% of UPB	# of Loans	% of Loans
Purchase . . . . .	77.69%	20	75.83%
Cash-out Refinance . . . . .	7.95%	5	8.83%
No Cash-out Refinance . . . . .	14.36%	9	15.24%
Refinance Not Specified . . . . .	0.00%	0	0.00%
Unknown . . . . .	0.00%	0	0.00%

**88 NUMBER OF UNITS\***

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

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

**PC Pool Number XXXXXX**

**89 NUMBER OF BORROWERS\***

Number of Borrowers	% of UPB	# of Loans	% of Loans
1 .....	16.86%	14	18.18%
71 .....	83.14%	34	81.18%

**90 OCCUPANCY TYPE\***

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

**91 FIRST PAYMENT DISTRIBUTION**

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

**92 FIRST-TIME HOMEBUYER DISTRIBUTION\***

Type	% of UPB	# of Loans	% of Loans
First-Time Homebuyer .....	24.19%	3	27.27%
Unknown .....	0.00%	0	0.00%

**93 MORTGAGE INSURANCE DISTRIBUTION\***

Type	% of UPB	# of Loans	% of Loans
Loans with MI .....	7.07%	1	9.09%
Unknown .....	0.00%	0	0.00%

**94 ASSETS DOCUMENTATION DISTRIBUTION\***

Type	% of UPB	# of Loans	% of Loans
Assets Verified/Waived .....	100.00%	48	100.00%
Assets Not Verified/Not Waived .....	0.00%	0	0.00%
Unknown .....	0.00%	0	0.00%

\* Updated monthly for Gold PCs and ARM PCs.

**PC Pool Number XXXXXXXX**

**95 EMPLOYMENT DOCUMENTATION DISTRIBUTION\***

Type	% of UPB	# of Loans	% of Loans
Employment Verified/Waived . . . . .	100.00%	48	100.00%
Employment Not Verified/Not Waived . . . . .	0.00%	0	0.00%
Unknown . . . . .	0.00%	0	0.00%

**96 INCOME DOCUMENTATION DISTRIBUTION\***

Type	% of UPB	# of Loans	% of Loans
Income Verified/Waived . . . . .	100.00%	48	100.00%
Income Not Verified/Not Waived . . . . .	0.00%	0	0.00%
Unknown . . . . .	0.00%	0	0.00%

**97 THIRD PARTY ORGANIZATION (TPO) DISTRIBUTION\***

Type	Aggregate UPB	% of UPB	# of Loans	% of Loans
Retail . . . . .	\$8,457,268.00	100.00%	48	100.00%
Broker . . . . .	0.00	0.00%	0	0.00%
Correspondent . . . . .	0.00	0.00%	0	0.00%
TPO . . . . .	0.00	0.00%	0	0.00%
Not Specified . . . . .				
Unknown . . . . .	0.00	0.00%	0	0.00%

**98 LOAN ORIGINATION DISTRIBUTION\***

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

**99 GEOGRAPHIC DISTRIBUTION\***

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

\* Updated monthly for Gold PCs and ARM PCs.

**PC Pool Number XXXXXX**

**100 SERVICER DISTRIBUTION\***

<b>Servicer*</b>	<b>% of UPB*</b>	<b># of Loans*</b>	<b>% of Loans*</b>
XXXXXXXXXXXXXXXXXXXX . . . . .	100.00%	48	100.00%

  

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

**101 SELLER DISTRIBUTION\***

<b>Seller*</b>	<b>% of UPB*</b>	<b># of Loans*</b>	<b>% of Loans*</b>
XXXXXXXXXXXXXXXXXXXX . . . . .	100.00%	48	100.00%

  

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

\* Updated monthly for Gold PCs and ARM PCs.

†† Updated monthly for Gold PCs only.



## TERMS USED IN POOL SUPPLEMENTS

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

### Description of PC Pool

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

### Pool Information

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

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

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

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

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

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

18. **WAOCLTV (Weighted Average Original Combined Loan to Value):** The weighted average of the ratios between each Mortgage's UPB as of the note date plus any secondary mortgage loan amount disclosed by the seller and either (1) in the case of a purchase, the lesser of the mortgaged property's appraised value on the note date or its purchase price or (2) in the case of a refinance Mortgage, the mortgaged property's appraised value on the note date.

If the secondary financing amount disclosed by the seller includes a home equity line of credit, then the Mortgage CLTV ratio used in the PC WAOCLTV calculation reflects the disbursed amount at closing of the first lien Mortgage, not the maximum loan amount available under the home equity line of credit.

In the case of a seasoned Mortgage, if the seller cannot warrant that the value of the mortgaged property has not declined since the note date, Freddie Mac requires that the seller must provide a new appraisal value, which is used in the Mortgage CLTV calculation and subsequently in the PC WAOCLTV calculation.

This disclosure is subject to the widely varying standards originators use to verify borrowers' secondary mortgage loan amounts.

19. **WAODTI (Weighted Average Original Debt to Income):** The weighted average of the ratios between each Mortgage's (1) sum of the borrower's monthly debt payments, including monthly housing expenses that incorporate the Mortgage payment the borrower is making at the time of the delivery of the Mortgage to Freddie Mac and (2) the total monthly income used to underwrite the borrower as of the date of the origination of the Mortgage.

This disclosure is subject to the widely varying standards originators use to verify borrowers' assets and liabilities.

**20. Third Party Origination Percentage (TPO%):** Percentage of the aggregate UPB of the Mortgages in a PC Pool that were originated by a third party, to include Broker and Correspondent originations. Mortgages for which Third Party Origination is applicable, but for which the Seller does not specify Broker or Correspondent, will be disclosed as “TPO Not Specified” and will be included in this category.

“Broker” is a person or entity that specializes in loan originations, receiving a commission (from a Correspondent or other lender) to match borrowers and lenders. The Broker performs some or most of the loan processing functions, such as taking loan applications, or ordering credit reports, appraisals and title reports. Typically, the Broker does not underwrite or service the Mortgage and generally does not use its own funds for closing; however, if the Broker funded a Mortgage on a lender’s behalf, such a Mortgage is considered a “Broker” third party origination Mortgage. The Mortgage is generally closed in the name of the lender who commissioned the Broker’s services.

“Correspondent” is an entity that typically sells the Mortgages it originates to other lenders, which are not Affiliates of that entity, under a specific commitment or as part of an ongoing relationship. The Correspondent performs some or all of the loan processing functions, such as taking the loan application, ordering credit reports, appraisals, and title reports, and verifying the Borrower’s income and employment. The Correspondent may or may not have delegated underwriting and typically funds the Mortgages at settlement. The Mortgage is closed in the Correspondent’s name and the Correspondent may or may not service the Mortgage. The Correspondent may use a Broker to perform some of the processing functions or even to fund the loan on its behalf; under such circumstances, the mortgage loan is considered a “Broker” third party origination Mortgage, rather than a “Correspondent” third party origination Mortgage.

“Retail” Mortgage is a Mortgage that is originated, underwritten and funded by a lender or its Affiliates. The Mortgage is closed in the name of the lender or its Affiliate and if it is sold to Freddie Mac, it is sold by the lender or its Affiliate that originated it. A Mortgage that a Broker or Correspondent completely or partially originated, processed, underwrote, packaged, funded or closed is not considered a Retail Mortgage.

For purposes of the definitions of Correspondent and Retail, “Affiliate” means any entity that is related to another party as a consequence of the entity, directly or indirectly, controlling the other party, being controlled by the other party, or being under common control with the other party.

**21. Reduced Minimum Servicing Flag:** The minimum servicing spread is the least amount of interest income, as established by Freddie Mac that must be retained by the servicer as compensation for servicing Mortgages. Y = the minimum servicing spread is less than 25 basis points. N = the minimum servicing spread is 25 basis points.

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

**23. Initial Interest Period:** For Initial Interest PCs only, the period of time between the first payment due date and the first scheduled principal and interest payment date required in accordance with

the terms of the Mortgages backing the PC. This time period will be designated by one of the numbers below, which indicates the number of months between such dates:

- 00 = Not Applicable
- 01 = 06-18 months
- 03 = 30-42 months
- 05 = 54-66 months
- 07 = 78-90 months
- 10 = 114-126 months
- 15 = 174-186 months

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

#### **Unknown Original Credit Score, Original LTV, Original CLTV and Original DTI**

25. **Original Credit Score Unknown:** The number of Mortgages, percentage of Mortgages and percent of aggregate UPB of the Mortgages that have credit scores that are not available. Mortgages with a credit score value less than 300 or greater than 850 are included in this category.

26. **Original LTV Unknown:** The number of Mortgages, percentage of Mortgages, and percentage of the aggregate UPB of the Mortgages in a PC Pool that have loan-to-value ratios that are not available. Mortgages with an original LTV percentage below 6% or greater than 105% are included in this category. In the case of FHA/VA mortgage loans, percentages less than 6% or greater than 110% are included. In the case of High LTV mortgage loans, percentages greater than 125% are included.

27. **Original CLTV Unknown:** The number of Mortgages, percentage of Mortgages, and percentage of the aggregate UPB of the Mortgages in a PC Pool that have combined loan-to-value ratios that are not available. Mortgages with an Original CLTV percentage below 6% or greater than 135% are included in this category. Mortgages for which the CLTV ratio is less than the LTV ratio or for which the LTV ratio is “Unknown” are also included in this category.

28. **Original DTI Unknown:** The number of Mortgages, percentage of Mortgages, and percentage of the aggregate UPB of the Mortgages in a PC Pool that have debt-to-income ratios that are not available. Mortgages with an Original DTI falling outside the range of greater than 0% and less than or equal to 65% are included in this category. Mortgages for which the reported monthly income is less than \$100 are considered “Unknown” as well. Mortgages for which the reported monthly debt is less than the loan’s Monthly P&I Payment (at the time for delivery to Freddie Mac) without being an investment property are also included in this category.

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

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

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

2 = Initial Fixed-Rate Period between 18 and 30 months

3 = Initial Fixed-Rate Period between 30 and 42 months

4 = Initial Fixed-Rate Period between 42 and 54 months

5 = Initial Fixed-Rate Period between 54 and 66 months

6 = Initial Fixed-Rate Period between 66 and 78 months

7 = Initial Fixed-Rate Period between 78 and 90 months

8 = Initial Fixed-Rate Period between 90 and 102 months

9 = Initial Fixed-Rate Period between 102 and 114 months

10 = Initial Fixed-Rate Period between 114 and 126 months

15 = Initial Fixed-Rate Period between 174 and 186 months

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

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

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

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

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

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

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

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

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

39. **PC Margin:** The weighted average of the Mortgage Margins of the Mortgages in an ARM PC Pool, net of servicing, management and guarantee fees. For purposes of these definitions, “**Mortgage Margin**” means the number of percentage points that is added to the current Index value to establish the new interest rate at each interest adjustment date for a Mortgage.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

60. **Component UPB:** The aggregate UPB of the Mortgages in an ARM PC pool having the same Component Coupon Adjustment Date. For Initial Interest ARM PCs, the aggregate UPB of the mortgages in an ARM PC pool having the same Component Coupon Adjustment Date and Component First P&I Payment Date.

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

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

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

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

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

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

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

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



ceilings of the Mortgages in an ARM PC pool having the same Component Coupon Adjustment Date and Component First P&I Payment Date, net of servicing, management and guarantee fees.

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

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

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

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

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

### Quartile Distribution

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

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

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

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

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

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

78. **Note Rate (Gold PCs Only):** The interest rate on a Mortgage note.
79. **Original Loan Size:** Loan amount as of the note date of the Mortgage.
80. **Remaining Maturity:** Remaining term to Maturity Date, or term to balloon maturity or reset date for Balloon/Reset Mortgages.
81. **Loan Age:** Number of months from the note date.
82. **Loan Term:** Number of scheduled monthly payments that are due over the life of the Mortgage.
83. **Original Credit Score:** A number summarizing an individual's credit profile that indicates the likelihood that the individual will repay future obligations.
84. **Original LTV:** Original loan-to-value ratio.
85. **Original CLTV:** Original combined loan-to-value ratio.
86. **Original DTI:** Original debt-to-income ratio.
87. **Loan Purpose:** The number of Mortgages, percentage of Mortgages and percentage of the aggregate UPB of the Mortgages in a PC Pool that are Cash-out Refinance Mortgages, No Cash-out Refinance Mortgages or Purchase Mortgages. If a Refinance is applicable, but the seller of the mortgage loan does not specify Cash-out Refinance or No Cash-out Refinance, it will be reflected under the heading "Refinance — Not Specified." Mortgages for which the loan purpose is not available will be reflected under the heading "Unknown."
88. **Number of Units:** The number of Mortgages, percentage of Mortgages, and percentage of the aggregate UPB of the Mortgages in a PC Pool that are secured by one-unit properties and by two to four unit properties. Mortgages for which the Number of Units is not available will be reflected under the heading "Unknown."
89. **Number of Borrowers:** The number of Mortgages, percentage of Mortgages, and percentage of the aggregate UPB of the Mortgages in a PC Pool that have one borrower or more than one borrower obligated to repay the Mortgage note secured by the mortgaged property.
90. **Occupancy Type:** The number of Mortgages, percentage of Mortgages and percentage of the aggregate UPB of the Mortgages in a PC Pool that are secured by primary residences, second homes, and investment properties. If the occupancy type is not available, Occupancy Type will be "Unknown."
91. **First Payment Distribution:** The number of Mortgages, percentage of Mortgages and percentage of the aggregate UPB of the Mortgages in a PC Pool that have not yet reached their first Payment Date.
92. **First-Time Homebuyer:** The number of Mortgages, percentage of Mortgages and percentage of the aggregate UPB of the Mortgages in a PC Pool that have indicated whether the Borrower, or one of a group of Borrowers, is a First-Time Homebuyer.

Specifically, a First-Time Homebuyer is an individual borrower, or one of a group of borrowers, who (1) is purchasing the mortgaged property, (2) will reside in the mortgaged property as a primary residence and (3) had no ownership interest (sole or joint) in a residential property during the three-year period

preceding the date of the purchase of the mortgaged property. With certain limited exceptions, a displaced homemaker or single parent may also be considered a First-Time Homebuyer if the individual had no ownership interest in a residential property during the preceding three-year period other than an ownership interest in the marital residence with a spouse.

Mortgages for which First-Time Homebuyer information is not available will be reflected under the heading “Unknown.”

**93. Mortgage Insurance Percentage:** The number of Mortgages, percentage of Mortgages, and percentage of the aggregate UPB of the Mortgages in a PC Pool having loss coverage, at the time of Freddie Mac’s purchase of the Mortgage, that a mortgage insurer is providing to cover losses incurred as a result of a default on the Mortgage. Only primary mortgage insurance that is purchased by the borrower, lender or Freddie Mac is included in this category. Mortgage insurance that constitutes “credit enhancement” that is not required by Freddie Mac’s Charter is not included.

Mortgages for which the amount of mortgage insurance reported by Sellers is in excess of 55% will be reflected under the heading “Unknown.”

**94. - 96. Documentation Type:** The number of Mortgages, percentage of Mortgages and percentage of the aggregate UPB of the Mortgages in a PC Pool for which the documentation has been verified/waived or not verified/not waived. Mortgages for which this information cannot be determined will be reflected under the heading “Unknown.”

Documentation Type — Assets  
Documentation Type — Employment  
Documentation Type — Income

Generally, Freddie Mac requires that sellers of Mortgages document or verify loan application information about the Borrower’s income, assets and employment. Sellers’ documentation or verification can take several forms; for example, sellers may require that a borrower provide pay stubs or W-2 or 1099 forms to verify employment and income and depository and brokerage statements to verify assets. In some cases, because of the measured creditworthiness of the borrower (*e.g.*, credit score) and loan attributes (*e.g.*, a refinance loan or low loan-to-value ratio), a seller may require a reduced level of documentation or verification or may waive its general documentation or verification requirements. In other cases, pursuant to programs offered by lenders, Borrowers may elect to provide a reduced level of documentation or verification or may elect to provide no documentation or verification of some or all of this information in a loan application. Standards to qualify for reduced levels of documentation and for waivers of documentation based on creditworthiness, and what constitutes a material reduced level of documentation, may vary among sellers. If Freddie Mac agrees with a seller’s decision to underwrite the borrower using reduced documentation or no documentation, Freddie Mac will generally require that sellers deliver a special code in connection with the delivery of such Mortgages. Freddie Mac monitors the performance of such Mortgages to determine whether they continue to perform at least as well as traditional full documentation Mortgages.

In cases of full documentation and verification, mortgages bear the disclosure “Yes (Verified/Waived).” In cases in which the seller delivered a Mortgage to Freddie Mac with a special code indicating a reduced level of documentation or waiver, Freddie Mac has used its review of the seller’s underwriting standards for reduced documentation or waiver and its data on actual Mortgages’ performance to make a judgment about the credit quality of that loan, which is reflected in whether the Mortgage bears the

disclosure “Yes (Verified/Waived)” or “No (Not Verified/Not Waived).” Under these circumstances, Mortgages bearing the disclosure “Yes (Verified/Waived)” reflect an assessment by Freddie Mac of higher credit quality than those loans that bear the disclosure “No (Not Verified/Not Waived).” The performance standard for reduced or waived-documentation loans is default performance on a level at least as strong as traditional full documentation loans.

In cases in which sellers did not deliver a special code indicating a reduced level of documentation or a waiver, the disclosure will indicate “Yes (Verified/Waived).” It is possible nonetheless that loans delivered without a special code may be loans that had a reduced level of documentation or waiver. Freddie Mac seeks to identify through special codes all cases of reduced documentation and conducts quality control sampling to identify and work with sellers on correcting data deficiencies.

**97. Third Party Origination Percentage (TPO%):** The number of Mortgages, percentage of Mortgages and percentage of the aggregate UPB of the Mortgages in a PC Pool that were originated by a third party, to include Broker and Correspondent originations. Loans for which Third Party Origination is applicable, but for which the Seller does not specify Broker or Correspondent, will be disclosed as “TPO Not Specified” and will be included in this category.

“Broker” is a person or entity that specializes in loan originations, receiving a commission (from a Correspondent or other lender) to match borrowers and lenders. The Broker performs some or most of the loan processing functions, such as taking loan applications, or ordering credit reports, appraisals and title reports. Typically, the Broker does not underwrite or service the Mortgage and generally does not use its own funds for closing; however, if the Broker funded a Mortgage on a lender’s behalf, such a Mortgage is considered a “Broker” third party origination Mortgage. The Mortgage is generally closed in the name of the lender who commissioned the Broker’s services.

“Correspondent” is an entity that typically sells the Mortgages it originates to other lenders, which are not Affiliates of that entity, under a specific commitment or as part of an ongoing relationship. The Correspondent performs some or all of the loan processing functions, such as taking the loan application, ordering credit reports, appraisals, and title reports, and verifying the Borrower’s income and employment. The Correspondent may or may not have delegated underwriting and typically funds the Mortgages at settlement. The Mortgage is closed in the Correspondent’s name and the Correspondent may or may not service the Mortgage. The Correspondent may use a Broker to perform some of the processing functions or even to fund the Mortgage on its behalf; under such circumstances, the Mortgage is considered a “Broker” third party origination Mortgage, rather than a “Correspondent” third party origination Mortgage.

“Retail” Mortgage is a Mortgage that is originated, underwritten and funded by a lender or its Affiliates. The Mortgage is closed in the name of the lender or its Affiliate and if it is sold to Freddie Mac, it is sold by the lender or its Affiliate that originated it. A Mortgage that a Broker or Correspondent completely or partially originated, processed, underwrote, packaged, funded or closed is not considered a Retail Mortgage.

For purposes of the definitions of Correspondent and Retail, “Affiliate” means any entity that is related to another party as a consequence of the entity, directly or indirectly, controlling the other party, being controlled by the other party, or being under common control with the other party.

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

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

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

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

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

