



## รายการอ้างอิง

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ศูนย์วิจัยทรัพยากร  
จุฬาลงกรณ์มหาวิทยาลัย

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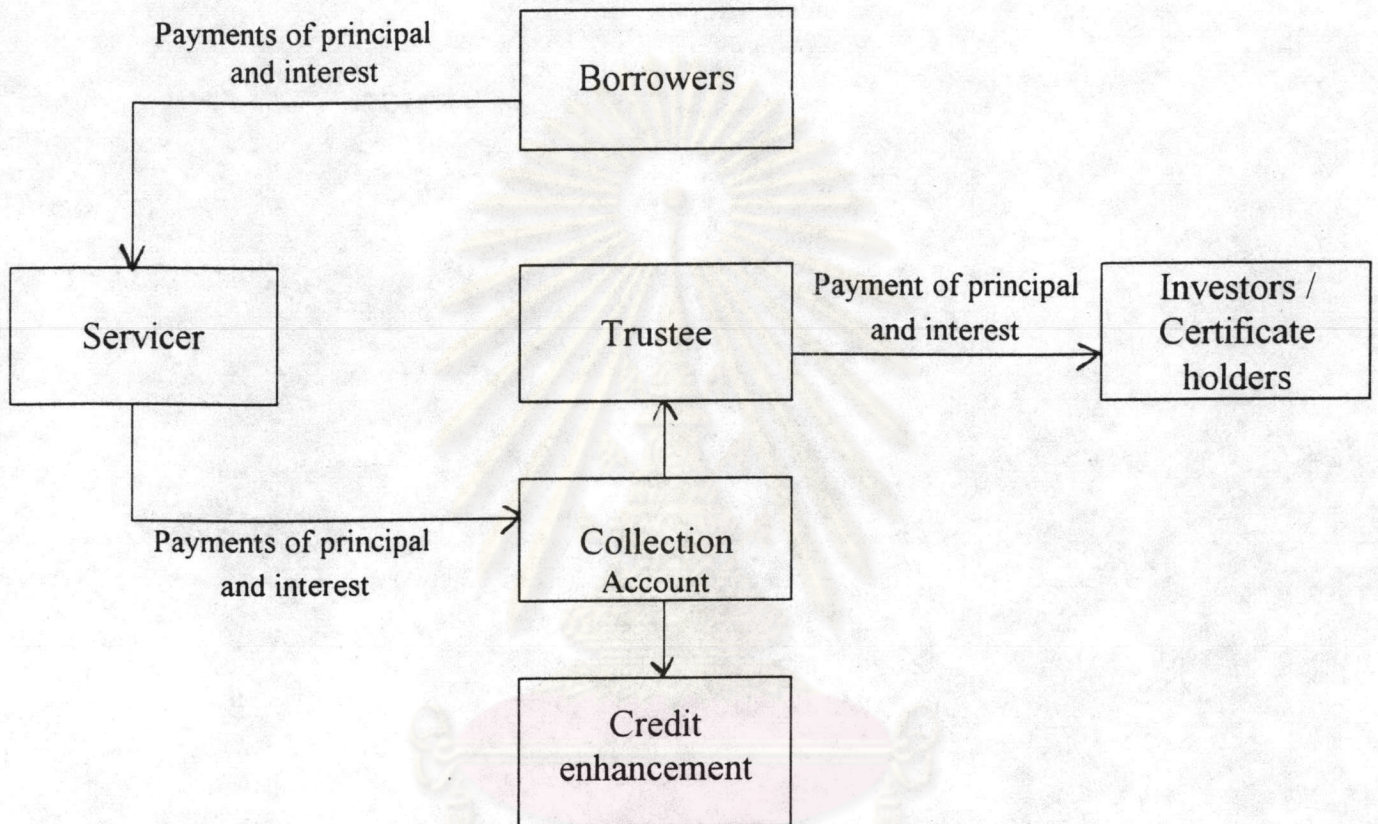
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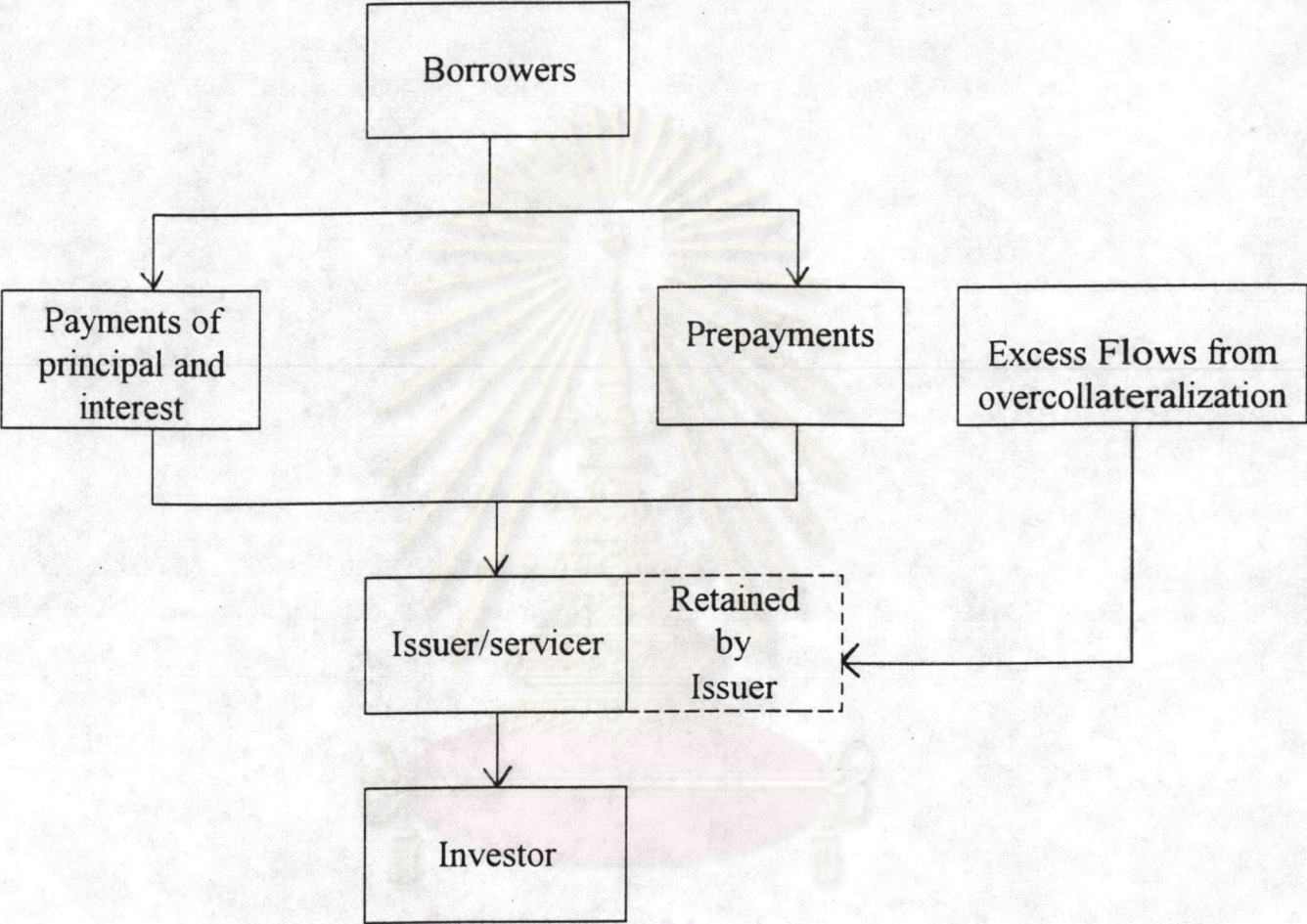
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## Pass-Through



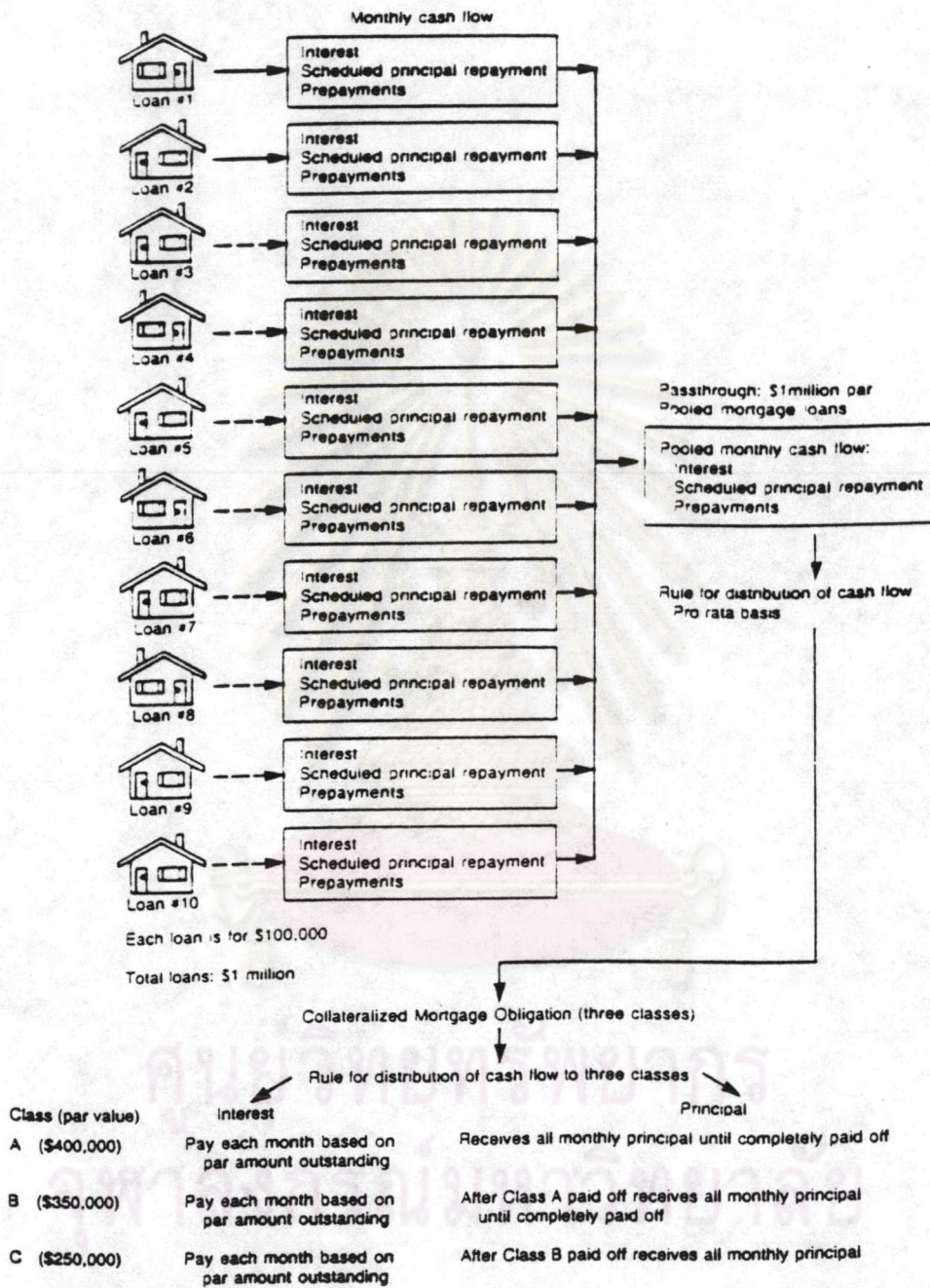
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**Pay-Through**



ศูนย์วิทยพัชกร  
จุฬาลงกรณ์มหาวิทยาลัย

## Creation of a Collateralized Mortgage Obligation





**CERTIFICATE OF AUTHENTICATION**

This note has been issued by the Federal National Mortgage Association.

FEDERAL RESERVE BANK OF NEW YORK  
as Fiscal Agent

By \_\_\_\_\_ AUTHORIZED SIGNATORY

**FEDERAL NATIONAL MORTGAGE ASSOCIATION**

**\$1,000,000**

FOR VALUE RECEIVED



FEDERAL NATIONAL MORTGAGE ASSOCIATION

A CORPORATION CHARTERED BY THE CONGRESS OF THE UNITED STATES OF AMERICA,

will pay to BEARER on \_\_\_\_\_, 19\_\_\_\_

the sum of

**ONE MILLION (\$1,000,000) DOLLARS**

at

FEDERAL RESERVE BANK OF NEW YORK

This note shall become valid only when the Certificate of Authentication on the margin shall have been signed by the Federal Reserve Bank of New York as Fiscal Agent.

ATTEST

*George A. Beant*

SECRETARY



FEDERAL NATIONAL MORTGAGE ASSOCIATION

BY

*David P. Maxwell*

CHAIRMAN

NOT AN OBLIGATION OF THE UNITED STATES

"Fannie Mae" Certificate



Offering Circular Supplement  
(To Offering Circular Dated January 18, 1994)

Freddie  
Mac

**\$300,000,000**

**Federal Home Loan Mortgage Corporation**

**Multiclass Mortgage Participation Certificates, Series 1706**

The Federal Home Loan Mortgage Corporation ("Freddie Mac") is offering its Multiclass Mortgage Participation Certificates of the above Series (the "Multiclass PCs"). The Multiclass PCs will consist of the various "Classes" listed below. The Classes will receive principal and interest payments, in differing proportions and at differing times, from the cash flows provided by Freddie Mac "Gold PCs" and "Gold Giant PCs" with interest rates of 7% per annum (the "PCs"). Underlying the PCs are pools of fixed-rate, first lien, residential mortgages and mortgage participations (the "Mortgages"). See "General Information — Structure of Transaction" in this Supplement.

Freddie Mac guarantees to each "Holder" of a Multiclass PC (i) the timely payment of interest at the applicable "Class Coupon" and (ii) the payment of the principal amount of the Holder's Multiclass PC as described in this Supplement.

Freddie Mac will make interest and principal payments on each monthly "Payment Date," beginning April 15, 1994, on the Classes entitled to such payments. See "Payments" in this Supplement.

This Series will involve the creation of an "Upper-Tier REMIC Pool" and a "Lower-Tier REMIC Pool." Elections will be made to treat both REMIC Pools as "real estate mortgage investment conduits" ("REMICs") pursuant to the Internal Revenue Code. The R and RS Classes will be "Residual Classes" and the other Classes will be "Regular Classes." The Residual Classes will be subject to transfer restrictions. See "Certain Federal Income Tax Consequences" in this Supplement and in the Multiclass PC Offering Circular.

Investors should read this Supplement in conjunction with the documents listed at the bottom of page S-2.

**THE OBLIGATIONS OF FREDDIE MAC UNDER ITS GUARANTEES OF THE MULTICLASS PCs ARE OBLIGATIONS OF FREDDIE MAC ONLY. THE MULTICLASS PCs, INCLUDING ANY INTEREST THEREON, ARE NOT GUARANTEED BY THE UNITED STATES AND DO NOT CONSTITUTE DEBTS OR OBLIGATIONS OF THE UNITED STATES OR ANY AGENCY OR INSTRUMENTALITY OF THE UNITED STATES OTHER THAN FREDDIE MAC. INCOME ON THE MULTICLASS PCs HAS NO EXEMPTION UNDER FEDERAL LAW FROM FEDERAL, STATE OR LOCAL TAXATION. THE MULTICLASS PCs ARE EXEMPT FROM THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT OF 1933 AND ARE "EXEMPTED SECURITIES" WITHIN THE MEANING OF THE SECURITIES EXCHANGE ACT OF 1934.**

Class	Original Principal Amount(1)	Principal or Other Type(2)	Class Coupon	Interest Type(2)	CUSIP Number	Final Payment Date(3)	Weighted Average Life at 225% PSA(4)
A	\$24,600,000	PAC	4.50%	FIX	3133T4TR7	October 15, 2006	1.3 Yrs
B	11,100,000	PAC	5.00	FIX	3133T4TS5	September 15, 2009	2.5
C	25,500,000	PAC	5.25	FIX	3133T4TT3	April 15, 2014	3.5
D	9,150,000	PAC	5.65	FIX	3133T4TU0	August 15, 2015	4.5
E	31,650,000	PAC	6.00	FIX	3133T4TV8	January 15, 2019	5.8
G	30,750,000	PAC	6.25	FIX	3133T4TW6	August 15, 2021	7.9
H	27,450,000	PAC	6.50	FIX	3133T4TX4	June 15, 2023	10.9
IA	30,246,428	NTL(PAC)	7.00	FIX IO	3133T4TY2	October 15, 2023	—
J	5,220,000	PAC	6.50	FIX	3133T4TZ9	October 15, 2023	14.4
K	7,612,200	PAC	7.00	FIX	3133T4UA2	March 15, 2024	18.8
LA	26,673,000	SCH	7.00	FIX	3133T4UB0	November 15, 2021	3.5
LB	36,087,000	SCH	7.00	FIX	3133T4UC8	June 15, 2023	3.5
M	18,738,000	SCH	7.00	FIX	3133T4UD6	March 15, 2024	11.2
O	13,348,000	TAC	7.00	FIX	3133T4UE4	February 15, 2024	2.5
OA	3,600,296	TAC	7.00	FIX	3133T4UF1	March 15, 2024	7.2
PF	21,015,845	SUP	(5)	FLT	3133T4UG9	March 15, 2024	17.5
PS	7,505,659	SUP	(5)	INV	3133T4UH7	March 15, 2024	17.5
R	0	NPR	0	NPR	3133T4UJ3	March 15, 2024	—
RS	0	NPR	0	NPR	3133T4UK0	March 15, 2024	—

- (1) Subject to proportionate increase as described under "Increase in Size" in this Supplement. The amount shown for the Notional Class is its original notional principal amount and does not represent principal that will be paid; see "Payments — Interest" in this Supplement.
- (2) See "Description of Multiclass PCs — Standard Definitions and Abbreviations for Classes" in the Multiclass PC Offering Circular. The type of Class with which the notional principal amount of the Notional Class will be reduced is indicated in parentheses.
- (3) See "Final Payment Dates" in this Supplement.
- (4) Determined as described under "Prepayment and Yield Analysis" in this Supplement, and subject to the assumptions and qualifications in that section. Prepayments will not occur at the assumed rate shown above or any other constant rate, and the actual weighted average lives of any or all of the Classes are likely to differ from those shown, perhaps significantly.
- (5) The Floating Rate and Inverse Floating Rate Classes will bear interest as described under "Terms Sheet — Class Coupons" in this Supplement.

The Multiclass PCs are being offered by Citibank, N.A. (the "Underwriter") from time to time in negotiated transactions at varying prices to be determined, in each case, at the time of sale, plus accrued interest from March 1, 1994 on the Fixed Rate Classes and from March 15, 1994 on the Floating Rate and Inverse Floating Rate Classes. The Multiclass PCs are offered by the Underwriter when, as and if issued and subject to delivery by Freddie Mac and acceptance by the Underwriter, and subject to the Underwriter's right to reject any order in whole or in part. It is expected that the Regular Classes (in book-entry form) will be available for deposit at any Federal Reserve Bank, and that delivery of the Residual Classes (in certificated form) will be made at the offices of the Underwriter, 399 Park Avenue, New York, New York 10043, on or about March 30, 1994 (the "Closing Date").

**CITIBANK** 

The date of this Offering Circular Supplement is February 18, 1994.



**MULTICLASS PCs ARE NOT SUITABLE INVESTMENTS FOR ALL INVESTORS. IN PARTICULAR, NO INVESTOR SHOULD PURCHASE MULTICLASS PCs OF ANY CLASS UNLESS THE INVESTOR UNDERSTANDS AND IS ABLE TO BEAR THE PREPAYMENT, YIELD, LIQUIDITY AND MARKET RISKS ASSOCIATED WITH THAT CLASS.**

The yield of each Class will depend upon its purchase price, its sensitivity to the rate of principal payments on the Mortgages and the actual characteristics of the Mortgages. In addition, the yield of each Floating Rate or Inverse Floating Rate Class will depend upon its sensitivity to the level of LIBOR. The Mortgages are subject to prepayment at any time without penalty. Mortgage prepayment rates are likely to fluctuate significantly from time to time, as is the level of LIBOR. Investors should consider the associated risks, including:

- Fast Mortgage prepayment rates can reduce the yields of the IA Class and of any other Classes purchased at a premium over their principal amounts. Under some prepayment scenarios, investors in the IA Class could fail to fully recover their investments.
- Slow Mortgage prepayment rates can reduce the yields of Classes purchased at a discount to their principal amounts.
- Small differences in the characteristics of the Mortgages can have a significant effect on the weighted average lives and yields of the Classes.
- Low levels of LIBOR can reduce the yield of the Floating Rate Class. Conversely, high levels of LIBOR can significantly reduce the yield of the Inverse Floating Rate Class.
- In general, principal payment rates on the Support Classes are likely to exhibit a higher sensitivity to Mortgage prepayments than are principal payment rates on the PAC, Scheduled and TAC Classes.
- In general, principal payment rates on the TAC and Scheduled Classes are likely to exhibit a higher sensitivity to Mortgage prepayments than are principal payment rates on the PAC Classes.

See "Prepayment and Yield Analysis" in this Supplement.

The Underwriter intends to make a market for the purchase and sale of the Multiclass PCs after their initial issuance but has no obligation to do so. There is no assurance that such a secondary market will develop or, if it develops, that it will continue. Consequently, investors may not be able to sell their Multiclass PCs readily or at prices that will enable them to realize their desired yield. The market values of the Classes are likely to fluctuate; such fluctuations may be significant and could result in significant losses to investors.

Investors should purchase Multiclass PCs only if they have read and understand this Supplement and the following documents:

- Freddie Mac's Multiclass Mortgage Participation Certificates Offering Circular dated January 18, 1994 (the "Multiclass PC Offering Circular"), which is attached to this Supplement;
- Freddie Mac's Mortgage Participation Certificates Offering Circular dated February 15, 1994 (the "PC Offering Circular");
- Freddie Mac's Giant Mortgage Participation Certificates Offering Circular dated December 23, 1991 and its Giant Mortgage Participation Certificates Offering Circular Supplement dated December 3, 1992 (together, the "Giant PC Offering Circular"); and
- Freddie Mac's Information Statement dated April 9, 1993, its Information Statement Supplements dated April 30, 1993, August 2, 1993, November 15, 1993 and February 4, 1994 and any other Information Statement Supplements published by Freddie Mac through the time of purchase (collectively, the "Information Statement").

This Supplement incorporates by reference the PC Offering Circular, the Giant PC Offering Circular and the Information Statement. Investors can order those documents: *from Freddie Mac*, by writing or calling its Investor Inquiry Department at 8200 Jones Branch Drive, McLean, Virginia 22102 (outside Washington, D.C. metropolitan area, phone 800/336-FMPC; within Washington, D.C. metropolitan area, phone 703/759-8160); or *from the Underwriter*, by writing or calling its Prospectus Department at 399 Park Avenue, New York, New York 10043 (phone 212/559-5880).

Investors can obtain additional information regarding the Multiclass PCs, PCs and Mortgages from the sources described under "General Information — Additional Information" in this Supplement.

## TERMS SHEET

This Terms Sheet contains selected information for quick reference only. It is not a summary of the transaction. Investors should refer to the remainder of this Supplement for further information.

### Class Coupons

The Fixed Rate Classes will bear interest at the Class Coupons shown on the cover page of this Supplement.

The Floating Rate and Inverse Floating Rate Classes will bear interest as follows:

Class	Initial Rate*	Class Coupon	Class Coupon Subject to	
			Minimum Rate	Maximum Rate
PF	4.625%	LIBOR + 1.0%	1.0%	9.5%
PS	13.65	23.8% - (LIBOR × 2.8)	0	23.8

\* Initial Rate will be in effect during first Accrual Period; Class Coupon will adjust monthly thereafter.

See "Payments — Interest" in this Supplement and "Description of Multiclass PCs — Interest Rate Indices" in the Multiclass PC Offering Circular.

### Notional Class

Notional Class	Reduces With
IA	A, B, C, D, E, G, H and J (PAC Classes)

See "Payments — Interest — Notional Class" in this Supplement.

### Allocation of Principal

On each Payment Date, Freddie Mac will pay the "PC Principal Amount" for that Payment Date to the Classes in the following order of priority:

- |           |   |                                                                                                                     |
|-----------|---|---------------------------------------------------------------------------------------------------------------------|
| PAC       | { | 1. To A, B, C, D, E, G, H, J and K, in that order, until reduced to their "Targeted Balances" for that Payment Date |
| Scheduled | { | 2. To LA, until reduced to its Targeted Balance for that Payment Date                                               |
|           | { | 3. To LB and M, in that order, until reduced to their Targeted Balances for that Payment Date                       |
| TAC       | { | 4. To O and OA, in that order, until reduced to their Targeted Balances for that Payment Date                       |
| Support   | { | 5. To PF and PS, pro rata, until retired                                                                            |
| TAC       | { | 6. To O and OA, in that order, until retired                                                                        |
| Scheduled | { | 7. To LA, LB and M, in that order, until retired                                                                    |
| PAC       | { | 8. To A, B, C, D, E, G, H, J and K, in that order, until retired                                                    |

The Target Balances (shown under "Payments — Principal — Targeted Balances Schedules" in this Supplement) were structured as follows:

	Structuring Range or Rate
PAC Classes	95% - 350% PSA
Scheduled Classes	190% - 250% PSA
TAC Classes	225% PSA

See "Payments — Principal" and "Prepayment and Yield Analysis" in this Supplement.

**Weighted Average Lives (in years)\***

	PSA Prepayment Assumption				
	0%	95%	225%	350%	500%
A .....	5.1	1.3	1.3	1.3	1.3
B .....	10.1	2.5	2.5	2.5	2.5
C .....	13.5	3.5	3.5	3.5	3.4
D .....	16.0	4.5	4.5	4.5	3.9
E .....	18.2	5.8	5.8	5.3	4.5
G .....	21.0	7.9	7.9	7.9	5.7
H .....	23.0	10.9	10.9	10.9	7.8
J .....	24.0	14.4	14.4	14.4	10.3
K .....	24.5	18.8	18.8	18.8	13.6
LA .....	25.3	11.5	3.5	2.7	2.0
LB .....	26.8	16.3	3.5	3.0	2.3
M .....	28.0	20.2	11.2	5.7	3.2
O .....	28.6	22.6	2.5	2.1	1.5
OA .....	28.9	24.0	7.2	3.0	1.9
PF and PS .....	29.5	27.0	17.5	1.5	1.0
Underlying PCs .....	21.3	11.9	7.1	5.0	3.7

\* Determined as described under "Prepayment and Yield Analysis" in this Supplement, and subject to the assumptions and qualifications in that section. Prepayments will not occur at any assumed rate shown or any other constant rate, and the actual weighted average lives of any or all of the Classes and of the PCs are likely to differ from those shown, perhaps significantly.

**Assumed Mortgage Characteristics (as of March 1, 1994)**

Principal Balance	Remaining Term to Maturity (in months)	Loan Age (in months)	Per Annum Interest Rate
\$ 90,000,000	357	0	7.625%
120,000,000	359	1	7.625
90,000,000	356	4	7.625
<u>\$300,000,000</u>	357.5*	1.6*	

\* Weighted average by principal balance.

The actual remaining terms to maturity, loan ages and interest rates of most of the Mortgages will differ from those shown above, perhaps significantly. See "General Information — The Mortgages" in this Supplement.

ศูนย์วิทยุทรัพยากร  
จุฬาลงกรณ์มหาวิทยาลัย

## GENERAL INFORMATION

### **Multiclass PC Agreement**

Freddie Mac will create the Multiclass PCs under the Multiclass Mortgage Participation Certificate Agreement, dated as of January 18, 1994, and a Terms Supplement, to be dated the Closing Date (together, the "Multiclass PC Agreement"). Investors can order copies of the Multiclass PC Agreement by writing or calling the Investor Inquiry Department at Freddie Mac at the address or phone numbers shown on page S-2. The Multiclass PC Agreement is incorporated by reference in this Supplement.

Holders and anyone having a beneficial interest in the Multiclass PCs should refer to the Multiclass PC Agreement for a complete description of their rights and obligations and the rights and obligations of Freddie Mac. Holders and beneficial owners of Multiclass PCs will acquire their Multiclass PCs subject to all terms and conditions of the Multiclass PC Agreement, including the Terms Supplement.

### **Form of Multiclass PCs**

The Regular Classes will be issued and may be held of record and transferred only on the book-entry system of a Federal Reserve Bank. The Residual Classes will be issued and may be held of record only in certificated form and will be transferable at Texas Commerce Bank National Association or its successor (the "Registrar"). The Classes will be issued in the denominations specified under "Description of Multiclass PCs — Form of Multiclass PCs, Holders, Minimum Principal Amounts and Transfers" in the Multiclass PC Offering Circular.

### **Holders**

The term "Holders" means (i) in the case of a Regular Class, the entities that appear on the book-entry records of a Federal Reserve Bank as holders of that Class and (ii) in the case of a Residual Class, the entities or individuals that appear on the records of the Registrar as the registered holders of that Class. The beneficial owner of a Multiclass PC is not necessarily the Holder.

### **Structure of Transaction**

This Series will be a "Double-Tier Series." The Regular Classes and the R Class will represent beneficial ownership interests in the Upper-Tier REMIC Pool. The Upper-Tier REMIC Pool will consist of the classes of "regular interests" in the Lower-Tier REMIC Pool (the "Mortgage Securities"). The RS Class will represent the residual interest in the Lower-Tier REMIC Pool. The creation of both an Upper-Tier and a Lower-Tier REMIC Pool is designed to satisfy federal income tax requirements to permit the issuance of the IA Class, which will receive specified portions of the interest payments on certain Mortgage Securities.

The Lower-Tier REMIC Pool will consist of the PCs. The PCs may include Gold Mortgage Participation Certificates ("Gold PCs") and Gold Giant Mortgage Participation Certificates ("Gold Giant PCs"). Any Gold PCs in the Lower-Tier REMIC Pool will represent undivided interests in discrete pools consisting of specified Mortgages. Any Gold Giant PCs in the Lower-Tier REMIC Pool will represent beneficial ownership interests in discrete pools consisting of specified Gold PCs (or, in some cases, other Gold Giant PCs).

The PCs will have the interest rate shown on the cover of this Supplement and an aggregate principal balance, as of the Closing Date, that at least equals the aggregate original principal amount of the Multiclass PCs. The specific PCs and their particular characteristics will be determined shortly before the Closing Date. The Underwriter intends to acquire the PCs in privately negotiated transactions before delivering them to Freddie Mac on the Closing Date. On the Closing Date, Freddie Mac expects to acquire the PCs from the Underwriter in exchange for the Multiclass PCs.

## The Mortgages

For purposes of this Supplement, Freddie Mac has made certain assumptions regarding the remaining terms to maturity, loan ages and interest rates of the Mortgages. See "Terms Sheet — Assumed Mortgage Characteristics" in this Supplement. However, the actual remaining terms to maturity, loan ages and interest rates of most of the Mortgages will differ from those assumed, perhaps significantly. This will be the case even if the *weighted average* characteristics of the Mortgages are the same as those of mortgages having the characteristics assumed. Small differences in the characteristics of the Mortgages can have a significant effect on the weighted average lives and yields of the Classes. See "Prepayment and Yield Analysis" in this Supplement.

## Additional Information

Investors can obtain additional information regarding the Multiclass PCs, PCs and Mortgages from various sources, including these:

- The *Multiclass PC Agreement*, including the *Terms Supplement* for this Series, will create and set forth all of the terms of the Multiclass PCs.
- A *Supplemental Statement* applicable to this Series will be available shortly after the Closing Date and will contain a schedule of the PCs and additional related information.
- The *PC Offering Circular* describes Gold PCs generally.
- *PC Offering Circular Supplements* describe particular characteristics of certain Gold PCs.
- The *Giant PC Offering Circular* describes Gold Giant PCs generally.
- *Giant PC Offering Circular Supplements* describe particular characteristics of Gold Giant PCs.
- *Freddie Mac's Resecuritization Electronic Data Base ("FRED")* will display a schedule of the PCs and additional related information shortly after the Closing Date.

Investors can order the documents listed above, as well as any updated information concerning specific Gold PCs and Gold Giant PCs prepared by Freddie Mac, by writing or calling the Investor Inquiry Department at Freddie Mac at the address or phone numbers shown on page S-2. FRED is available through the AT&T Mail Service (an electronic mail system). Investors can obtain information about access to FRED by writing or calling the Investor Inquiry Department.

## PAYMENTS

### Payment Dates; Record Dates

Freddie Mac will make payments of principal and interest on the Multiclass PCs to Holders entitled to such payments on the 15th of each month or, if the 15th is not a "Business Day," on the next Business Day (a "Payment Date"), beginning in the month following the Closing Date.

On each Payment Date, any payment on a Multiclass PC of any Class will be made to the Holder of record as of the end of the preceding calendar month.

### Method of Payment

A Federal Reserve Bank will credit payments on the Regular Classes to the accounts of Holders of these Classes monthly on each Payment Date. The Registrar will mail any payments on the Residual Classes by check to the addresses of the Holders of these Classes as they appear on the Registrar's records, not later than the applicable Payment Date. A Holder of a Residual Class will be required to present the Holder's certificate to the Registrar for payment under the circumstances described under "Description of Multiclass PCs — Form of Multiclass PCs, Holders, Minimum Principal Amounts and Transfers" in the Multiclass PC Offering Circular. A Holder that is not also the beneficial owner of a

Multiclass PC, and each other financial intermediary in the chain to the beneficial owner, will be responsible for remitting payments to their customers.

**Interest**

Freddie Mac will pay interest on each Payment Date to the Holders of each Class on which interest has accrued. *Investors can calculate the amount of interest to be paid on any Class on any Payment Date by using the "Class Factors" published in the preceding month. See "Class Factors" below.*

*Categories of Classes*

For purposes of interest payments, the Classes will be categorized as shown under "Interest Type" on the cover page of this Supplement. The abbreviations used on the cover page are explained under "Description of Multiclass PCs — Standard Definitions and Abbreviations for Classes" in the Multiclass PC Offering Circular.

*Accrual Periods*

The Accrual Period for the Fixed Rate Classes will be the calendar month preceding the related Payment Date. The Accrual Period for the Floating Rate and Inverse Floating Rate Classes will be from the 15th of the month preceding the related Payment Date to the 15th of the month of that Payment Date. In each case, interest will be calculated on the basis of a 360-day year consisting of twelve 30-day months. Interest payable on any Class on any Payment Date will consist of 30 days' interest on its balance immediately before that Payment Date.

*Fixed Rate Classes*

The Fixed Rate Classes will bear interest at the Class Coupons shown on the cover page of this Supplement.

*Notional Class*

The IA Class will not receive principal payments. For convenience in describing interest payments, the IA Class will have a notional principal amount. The notional principal amount of the IA Class will be reduced with reductions in the principal amounts of certain other Classes. The following table shows the original notional principal amount of the IA Class and the Class with which each portion of its notional principal amount will reduce proportionately.

**Notional Class**

<u>Class</u>	<u>Original Notional Principal Amount</u>	<u>Reduces Proportionately With</u>
IA .....	\$ 8,785,714	A (PAC Class)
	3,171,429	B (PAC Class)
	6,375,000	C (PAC Class)
	1,764,643	D (PAC Class)
	4,521,428	E (PAC Class)
	3,294,643	G (PAC Class)
	1,960,714	H (PAC Class)
	372,857	J (PAC Class)
	<u>\$30,246,428</u>	

*Floating Rate and Inverse Floating Rate Classes*

The Floating Rate and Inverse Floating Rate Classes will bear interest as shown under "Terms Sheet — Class Coupons" in this Supplement. The Class Coupons for the Floating Rate and Inverse Floating Rate Classes will be based on the arithmetic mean of the London interbank offered quotations for one-month Eurodollar deposits ("LIBOR").

For information regarding (i) the manner in which Freddie Mac determines LIBOR and calculates the Class Coupons for the Floating Rate and Inverse Floating Rate Classes and (ii) historical levels of LIBOR, see "Description of Multiclass PCs — Interest Rate Indices" in the Multiclass PC Offering Circular. Subsequent levels of LIBOR are available from the source indicated in that section of the Multiclass PC Offering Circular.

Freddie Mac's determination of LIBOR and its calculation of the Class Coupons will be final, except in the case of clear error. Investors can get the LIBOR levels and Class Coupons for the current and preceding Accrual Periods from FRED or by writing or calling Freddie Mac's Investor Inquiry Department at the address or phone numbers shown on page S-2.

### **Principal**

Freddie Mac will pay principal on each Payment Date to the Holders of each Class on which principal is then due. The Holders of each such Class will receive principal payments on a pro rata basis among the Multiclass PCs of that Class. *Investors can calculate the amount of principal to be paid on each Class on any Payment Date by using the Class Factors published in the preceding and current months. See "Class Factors" below.*

#### *Categories of Classes*

For purposes of principal payments, the Classes will be categorized as shown under "Principal or Other Type" on the cover page of this Supplement. The abbreviations used on the cover page are explained under "Description of Multiclass PCs — Standard Definitions and Abbreviations for Classes" in the Multiclass PC Offering Circular.

Different categories of Classes will exhibit different degrees of sensitivity to Mortgage prepayment rates. See "Prepayment and Yield Analysis" in this Supplement.

#### *Amount of Payments*

The total amount of principal payments that will be made on the Multiclass PCs on each Payment Date will equal the amount of principal payments required to be made on that Payment Date on the PCs (the "PC Principal Amount").

#### *Allocation of Payments*

On each Payment Date, Freddie Mac will pay the PC Principal Amount as described under "Terms Sheet — Allocation of Principal" in this Supplement.

#### *Targeted Balances Schedules*

The schedules of "Targeted Balances" are shown below.

ศูนย์วิทยทรัพยากร  
จุฬาลงกรณ์มหาวิทยาลัย

## Targeted Balances\*

### PAC Classes

Payment Date	A	Payment Date	C	Payment Date	G
April 15, 1994	\$24,255,191.92	April 15, 1998	\$ 2,345,717.06	September 15, 2001	\$20,420,130.41
May 15, 1994	23,861,566.93	May 15, 1998	917,479.69	October 15, 2001	19,237,444.11
June 15, 1994	23,419,215.22	June 15, 1998		November 15, 2001	18,060,142.15
July 15, 1994	22,928,250.91	and after	0.00	December 15, 2001	16,888,197.70
August 15, 1994	22,388,812.00			January 15, 2002	15,721,584.08
September 15, 1994	21,801,060.37			February 15, 2002	14,560,274.71
October 15, 1994	21,165,181.75	May 15, 1998		March 15, 2002	13,413,527.77
November 15, 1994	20,481,385.61	and before	9,150,000.00	April 15, 2002	12,290,144.21
December 15, 1994	19,749,905.08	June 15, 1998	8,645,846.32	May 15, 2002	11,189,655.61
January 15, 1995	18,970,996.88	July 15, 1998	7,230,785.71	June 15, 2002	10,111,602.82
February 15, 1995	18,144,941.15	August 15, 1998	5,822,263.77	July 15, 2002	9,055,535.82
March 15, 1995	17,272,041.33	September 15, 1998	4,420,248.57	August 15, 2002	8,021,013.50
April 15, 1995	16,352,623.97	October 15, 1998	3,024,707.34	September 15, 2002	7,007,603.55
May 15, 1995	15,387,038.58	November 15, 1998	1,635,609.46	October 15, 2002	6,014,882.21
June 15, 1995	14,375,657.41	December 15, 1998	252,921.47	November 15, 2002	5,042,434.13
July 15, 1995	13,318,875.19	January 15, 1999		December 15, 2002	4,089,852.25
August 15, 1995	12,217,108.96	and after	0.00	January 15, 2003	3,156,737.56
September 15, 1995	11,070,797.75			February 15, 2003	2,242,698.99
October 15, 1995	9,880,402.35			March 15, 2003	1,347,353.24
November 15, 1995	8,646,404.95	December 15, 1998		April 15, 2003	470,324.63
December 15, 1995	7,369,308.88	and before	31,650,000.00	May 15, 2003	
January 15, 1996	6,049,638.27	January 15, 1999	30,526,612.07	and after	0.00
February 15, 1996	4,687,937.66	February 15, 1999	29,156,649.60		
March 15, 1996	3,284,771.69	March 15, 1999	27,793,002.57		
April 15, 1996	1,840,724.67	April 15, 1999	26,435,639.64	April 15, 2003	
May 15, 1996	356,400.19	May 15, 1999	25,084,529.61	and before	27,450,000.00
June 15, 1996		June 15, 1999	23,739,641.44	May 15, 2003	27,061,244.94
and after	0.00	July 15, 1999	22,400,944.25	June 15, 2003	26,219,753.28
		August 15, 1999	21,068,407.29	July 15, 2003	25,395,495.93
		September 15, 1999	19,741,999.98	August 15, 2003	24,588,126.20
		October 15, 1999	18,421,691.36	September 15, 2003	23,797,304.31
		November 15, 1999	17,107,452.66	October 15, 2003	23,022,697.22
		December 15, 1999	15,799,252.21	November 15, 2003	22,263,978.53
		January 15, 2000	14,497,060.53	December 15, 2003	21,520,828.33
		February 15, 2000	13,200,847.75	January 15, 2004	20,792,933.06
		March 15, 2000	11,910,584.16	February 15, 2004	20,079,985.43
		April 15, 2000	10,626,240.20	March 15, 2004	19,381,684.24
		May 15, 2000	9,347,786.44	April 15, 2004	18,697,734.32
		June 15, 2000	8,075,193.61	May 15, 2004	18,027,846.33
		July 15, 2000	6,808,432.56	June 15, 2004	17,371,736.75
		August 15, 2000	5,547,474.30	July 15, 2004	16,729,127.65
		September 15, 2000	4,292,289.98	August 15, 2004	16,099,746.68
		October 15, 2000	3,042,850.87	September 15, 2004	15,483,326.90
		November 15, 2000	1,799,128.41	October 15, 2004	14,879,606.68
		December 15, 2000	561,094.15	November 15, 2004	14,288,329.63
		January 15, 2001		December 15, 2004	13,709,244.44
		and after	0.00	January 15, 2005	13,142,104.85
				February 15, 2005	12,586,669.46
				March 15, 2005	12,042,701.74
				April 15, 2005	11,509,969.83
				May 15, 2005	10,988,246.53
				June 15, 2005	10,477,309.15
				July 15, 2005	9,976,939.47
				August 15, 2005	9,486,923.61
				September 15, 2005	9,007,051.96
				October 15, 2005	8,537,119.09
				November 15, 2005	8,076,923.69
				December 15, 2005	7,626,268.46
				January 15, 2006	7,184,960.05
				February 15, 2006	6,752,808.97

\* The Targeted Balances were calculated using, among other things, the "structuring ranges" or constant rate shown under "Terms Sheet—Allocation of Principal" in this Supplement. See "Prepayment and Yield Analysis" in this Supplement.



Payment Date	H	Payment Date	K	Payment Date	K
	<b>continued</b>		<b>continued</b>		<b>continued</b>
March 15, 2006	\$6,329,629.51	November 15, 2010	\$5,430,552.79	July 15, 2016	\$978,565.17
April 15, 2006	5,915,239.67	December 15, 2010	5,305,144.08	August 15, 2016	951,525.34
May 15, 2006	5,509,461.12	January 15, 2011	5,182,436.12	September 15, 2016	925,117.19
June 15, 2006	5,112,119.06	February 15, 2011	5,062,372.91	October 15, 2016	899,327.04
July 15, 2006	4,723,042.21	March 15, 2011	4,944,899.61	November 15, 2016	874,141.49
August 15, 2006	4,342,062.69	April 15, 2011	4,829,962.47	December 15, 2016	849,547.41
September 15, 2006	3,969,016.02	May 15, 2011	4,717,508.84	January 15, 2017	825,531.97
October 15, 2006	3,603,740.97	June 15, 2011	4,607,487.13	February 15, 2017	802,082.57
November 15, 2006	3,246,079.57	July 15, 2011	4,499,846.81	March 15, 2017	779,186.90
December 15, 2006	2,895,876.99	August 15, 2011	4,394,538.36	April 15, 2017	756,832.90
January 15, 2007	2,552,981.51	September 15, 2011	4,291,513.28	May 15, 2017	735,008.76
February 15, 2007	2,217,244.45	October 15, 2011	4,190,724.05	June 15, 2017	713,702.91
March 15, 2007	1,888,520.11	November 15, 2011	4,092,124.10	July 15, 2017	692,904.04
April 15, 2007	1,566,665.71	December 15, 2011	3,995,667.83	August 15, 2017	672,601.06
May 15, 2007	1,251,541.32	January 15, 2012	3,901,310.56	September 15, 2017	652,783.11
June 15, 2007	943,009.83	February 15, 2012	3,809,008.51	October 15, 2017	633,439.57
July 15, 2007	640,936.67	March 15, 2012	3,718,718.80	November 15, 2017	614,560.04
August 15, 2007	345,190.76	April 15, 2012	3,630,399.42	December 15, 2017	596,134.33
September 15, 2007	55,642.48	May 15, 2012	3,544,009.20	January 15, 2018	578,152.46
October 15, 2007		June 15, 2012	3,459,507.84	February 15, 2018	560,604.68
and after	0.00	July 15, 2012	3,376,855.83	March 15, 2018	543,481.43
		August 15, 2012	3,296,014.48	April 15, 2018	526,773.34
	<b>J</b>	September 15, 2012	3,216,945.90	May 15, 2018	510,471.27
September 15, 2007		October 15, 2012	3,139,612.94	June 15, 2018	494,566.23
and before	5,220,000.00	November 15, 2012	3,063,979.24	July 15, 2018	479,049.44
October 15, 2007	4,992,165.59	December 15, 2012	2,990,009.16	August 15, 2018	463,912.33
November 15, 2007	4,714,636.17	January 15, 2013	2,917,667.80	September 15, 2018	449,146.46
December 15, 2007	4,442,932.81	February 15, 2013	2,846,920.96	October 15, 2018	434,743.60
January 15, 2008	4,176,936.52	March 15, 2013	2,777,735.16	November 15, 2018	420,695.70
February 15, 2008	3,916,530.73	April 15, 2013	2,710,077.58	December 15, 2018	406,994.85
March 15, 2008	3,661,001.16	May 15, 2013	2,643,916.09	January 15, 2019	393,633.32
April 15, 2008	3,412,035.88	June 15, 2013	2,579,219.20	February 15, 2019	380,603.57
May 15, 2008	3,167,725.17	July 15, 2013	2,515,956.07	March 15, 2019	367,898.18
June 15, 2008	2,928,561.54	August 15, 2013	2,454,096.50	April 15, 2019	355,509.90
July 15, 2008	2,694,439.64	September 15, 2013	2,393,610.91	May 15, 2019	343,431.64
August 15, 2008	2,465,256.26	October 15, 2013	2,334,470.30	June 15, 2019	331,656.46
September 15, 2008	2,240,910.24	November 15, 2013	2,276,646.29	July 15, 2019	320,177.57
October 15, 2008	2,021,302.48	December 15, 2013	2,220,111.06	August 15, 2019	308,988.30
November 15, 2008	1,806,335.86	January 15, 2014	2,164,837.39	September 15, 2019	298,082.16
December 15, 2008	1,595,915.21	February 15, 2014	2,110,798.59	October 15, 2019	287,452.76
January 15, 2009	1,389,947.30	March 15, 2014	2,057,968.54	November 15, 2019	277,093.87
February 15, 2009	1,188,340.75	April 15, 2014	2,006,321.63	December 15, 2019	266,999.38
March 15, 2009	991,006.03	May 15, 2014	1,955,832.79	January 15, 2020	257,163.32
April 15, 2009	797,855.42	June 15, 2014	1,906,477.47	February 15, 2020	247,579.85
May 15, 2009	608,802.97	July 15, 2014	1,858,231.62	March 15, 2020	238,243.23
June 15, 2009	423,764.43	August 15, 2014	1,811,071.68	April 15, 2020	229,147.87
July 15, 2009	242,657.29	September 15, 2014	1,764,974.59	May 15, 2020	220,288.29
August 15, 2009	65,400.69	October 15, 2014	1,719,917.73	June 15, 2020	211,659.12
September 15, 2009		November 15, 2014	1,675,878.98	July 15, 2020	203,255.11
and after	0.00	December 15, 2014	1,632,836.67	August 15, 2020	195,071.13
		January 15, 2015	1,590,769.55	September 15, 2020	187,102.14
	<b>K</b>	February 15, 2015	1,549,656.84	October 15, 2020	179,343.23
August 15, 2009		March 15, 2015	1,509,478.18	November 15, 2020	171,789.58
and before	7,612,200.00	April 15, 2015	1,470,213.61	December 15, 2020	164,436.49
September 15, 2009	7,504,115.39	May 15, 2015	1,431,843.61	January 15, 2021	157,279.33
October 15, 2009	7,334,323.76	June 15, 2015	1,394,349.04	February 15, 2021	150,313.61
November 15, 2009	7,168,149.73	July 15, 2015	1,357,711.17	March 15, 2021	143,534.90
December 15, 2009	7,005,518.77	August 15, 2015	1,321,911.66	April 15, 2021	136,938.89
January 15, 2010	6,846,357.86	September 15, 2015	1,286,932.52	May 15, 2021	130,521.36
February 15, 2010	6,690,595.43	October 15, 2015	1,252,756.17	June 15, 2021	124,278.16
March 15, 2010	6,538,161.39	November 15, 2015	1,219,365.37	July 15, 2021	118,205.25
April 15, 2010	6,388,987.05	December 15, 2015	1,186,743.24	August 15, 2021	112,298.67
May 15, 2010	6,243,005.09	January 15, 2016	1,154,873.26	September 15, 2021	106,554.55
June 15, 2010	6,100,149.59	February 15, 2016	1,123,739.24	October 15, 2021	100,969.11
July 15, 2010	5,960,355.93	March 15, 2016	1,093,325.33	November 15, 2021	95,538.62
August 15, 2010	5,823,560.82	April 15, 2016	1,063,616.01	December 15, 2021	90,259.48
September 15, 2010	5,689,702.23	May 15, 2016	1,034,596.08	January 15, 2022	85,128.12
October 15, 2010	5,558,719.40	June 15, 2016	1,006,250.66	February 15, 2022	80,141.09

<u>Payment Date</u>	<u>K</u>	<u>Payment Date</u>	<u>K</u>	<u>Payment Date</u>	<u>K</u>
	continued		continued		continued
March 15, 2022	\$75,294.97	December 15, 2022	\$37,496.52	August 15, 2023	\$11,516.79
April 15, 2022	70,586.46	January 15, 2023	33,888.38	September 15, 2023	8,703.79
May 15, 2022	66,012.29	February 15, 2023	30,388.35	October 15, 2023	5,979.62
June 15, 2022	61,569.30	March 15, 2023	26,993.84	November 15, 2023	3,342.09
July 15, 2022	57,254.38	April 15, 2023	23,702.30	December 15, 2023	1,508.49
August 15, 2022	53,064.47	May 15, 2023	20,511.23	January 15, 2024	491.85
September 15, 2022	48,996.61	June 15, 2023	17,418.20	February 15, 2024	
October 15, 2022	45,047.89	July 15, 2023	14,420.83	and after	0.00
November 15, 2022	41,215.45				

### Scheduled Classes

<u>Payment Date</u>	<u>LA</u>	<u>LB</u>	<u>Payment Date</u>	<u>LA</u>	<u>LB</u>
				continued	continued
April 15, 1994	\$26,620,049.70	\$36,015,361.35	May 15, 1998	\$9,060,330.03	\$12,258,093.57
May 15, 1994	26,546,805.57	35,916,266.37	June 15, 1998	8,730,676.08	11,812,091.16
June 15, 1994	26,453,301.57	35,789,760.94	July 15, 1998	8,407,931.24	11,375,436.39
July 15, 1994	26,339,601.15	35,635,930.97	August 15, 1998	8,092,010.78	10,948,014.59
August 15, 1994	26,205,797.42	35,454,902.39	September 15, 1998	7,782,830.86	10,529,712.33
September 15, 1994	26,052,013.10	35,246,841.25	October 15, 1998	7,480,308.56	10,120,417.46
October 15, 1994	25,878,400.53	35,011,953.65	November 15, 1998	7,184,361.89	9,720,019.02
November 15, 1994	25,685,141.58	34,750,485.66	December 15, 1998	6,894,909.74	9,328,407.29
December 15, 1994	25,472,447.51	34,462,723.10	January 15, 1999	6,611,871.89	8,945,473.73
January 15, 1995	25,240,558.77	34,148,991.27	February 15, 1999	6,335,169.01	8,571,111.01
February 15, 1995	24,989,744.73	33,809,654.64	March 15, 1999	6,064,722.63	8,205,212.96
March 15, 1995	24,720,303.42	33,445,116.39	April 15, 1999	5,800,455.14	7,847,674.60
April 15, 1995	24,432,561.11	33,055,817.97	May 15, 1999	5,542,289.80	7,498,392.08
May 15, 1995	24,126,871.91	32,642,238.47	June 15, 1999	5,290,150.69	7,157,262.70
June 15, 1995	23,803,617.31	32,204,894.01	July 15, 1999	5,043,962.74	6,824,184.89
July 15, 1995	23,463,205.63	31,744,337.02	August 15, 1999	4,803,651.70	6,499,058.19
August 15, 1995	23,106,071.43	31,261,155.46	September 15, 1999	4,569,144.14	6,181,783.26
September 15, 1995	22,732,674.90	30,755,971.92	October 15, 1999	4,340,367.44	5,872,561.84
October 15, 1995	22,343,501.14	30,229,442.71	November 15, 1999	4,117,249.78	5,570,396.75
November 15, 1995	21,939,059.44	29,682,256.89	December 15, 1999	3,899,720.12	5,276,091.92
December 15, 1995	21,519,882.49	29,115,135.14	January 15, 2000	3,687,708.21	4,989,252.28
January 15, 1996	21,086,525.54	28,528,828.68	February 15, 2000	3,481,144.59	4,709,783.85
February 15, 1996	20,639,565.51	27,924,118.04	March 15, 2000	3,279,960.55	4,437,593.68
March 15, 1996	20,179,600.06	27,301,811.85	April 15, 2000	3,084,088.15	4,172,589.85
April 15, 1996	19,707,246.64	26,662,745.46	May 15, 2000	2,893,460.19	3,914,681.44
May 15, 1996	19,223,141.46	26,007,779.63	June 15, 2000	2,708,010.23	3,663,778.54
June 15, 1996	18,733,540.06	25,345,377.72	July 15, 2000	2,527,672.54	3,419,792.27
July 15, 1996	18,238,867.25	24,676,114.51	August 15, 2000	2,352,382.15	3,182,634.68
August 15, 1996	17,739,559.87	24,000,580.99	September 15, 2000	2,182,074.79	2,952,218.83
September 15, 1996	17,243,485.93	23,329,422.14	October 15, 2000	2,016,686.90	2,728,458.74
October 15, 1996	16,756,333.33	22,670,333.33	November 15, 2000	1,856,155.63	2,511,269.38
November 15, 1996	16,277,995.44	22,023,170.29	December 15, 2000	1,700,418.83	2,300,566.66
December 15, 1996	15,808,366.76	21,387,790.33	January 15, 2001	1,549,415.06	2,096,267.43
January 15, 1997	15,347,342.96	20,764,052.23	February 15, 2001	1,403,083.52	1,898,289.47
February 15, 1997	14,894,820.82	20,151,816.40	March 15, 2001	1,261,364.13	1,706,551.46
March 15, 1997	14,450,698.24	19,550,944.67	April 15, 2001	1,124,197.43	1,520,973.00
April 15, 1997	14,014,874.24	18,961,300.44	May 15, 2001	991,524.68	1,341,474.56
May 15, 1997	13,587,248.93	18,382,748.56	June 15, 2001	863,287.75	1,167,977.54
June 15, 1997	13,167,723.51	17,815,155.33	July 15, 2001	739,429.17	1,000,404.18
July 15, 1997	12,756,200.24	17,258,388.55	August 15, 2001	619,892.14	838,677.60
August 15, 1997	12,352,582.44	16,712,317.43	September 15, 2001	504,620.45	682,721.78
September 15, 1997	11,956,774.51	16,176,812.58	October 15, 2001	395,333.45	534,862.90
October 15, 1997	11,568,681.87	15,651,746.05	November 15, 2001	292,406.97	395,609.44
November 15, 1997	11,188,210.95	15,136,991.28	December 15, 2001	195,733.08	264,815.35
December 15, 1997	10,815,269.23	14,632,423.08	January 15, 2002	105,205.40	142,336.71
January 15, 1998	10,449,765.19	14,137,917.61	February 15, 2002	20,719.11	28,031.74
February 15, 1998	10,091,608.31	13,653,352.41	March 15, 2002		
March 15, 1998	9,740,709.03	13,178,606.33	and after	0.00	0.00
April 15, 1998	9,396,978.80	12,713,559.56			

Payment Date

M

February 15, 2002 and before	\$18,738,000.00
March 15, 2002	18,592,646.98
April 15, 2002	18,394,163.75
May 15, 2002	18,191,507.42
June 15, 2002	17,984,878.53
July 15, 2002	17,774,472.03
August 15, 2002	17,560,477.44
September 15, 2002	17,343,078.90
October 15, 2002	17,122,455.42
November 15, 2002	16,898,780.89
December 15, 2002	16,672,224.24
January 15, 2003	16,442,949.59
February 15, 2003	16,211,116.33
March 15, 2003	15,976,879.23
April 15, 2003	15,740,388.57
May 15, 2003	15,501,790.25
June 15, 2003	15,261,225.86
July 15, 2003	15,018,832.84
August 15, 2003	14,774,744.53
September 15, 2003	14,529,090.28
October 15, 2003	14,281,995.57
November 15, 2003	14,033,582.10
December 15, 2003	13,783,967.85
January 15, 2004	13,533,267.22
February 15, 2004	13,281,591.05
March 15, 2004	13,029,046.79
April 15, 2004	12,775,738.50

Payment Date

M  
continued

May 15, 2004	\$12,521,767.02
June 15, 2004	12,267,229.96
July 15, 2004	12,012,221.86
August 15, 2004	11,756,834.21
September 15, 2004	11,501,155.54
October 15, 2004	11,245,271.54
November 15, 2004	10,989,265.04
December 15, 2004	10,733,216.17
January 15, 2005	10,477,202.36
February 15, 2005	10,221,298.48
March 15, 2005	9,965,576.81
April 15, 2005	9,710,107.22
May 15, 2005	9,454,957.13
June 15, 2005	9,200,191.62
July 15, 2005	8,945,873.49
August 15, 2005	8,692,063.30
September 15, 2005	8,438,819.45
October 15, 2005	8,186,198.24
November 15, 2005	7,934,253.87
December 15, 2005	7,683,038.57
January 15, 2006	7,432,602.59
February 15, 2006	7,182,994.28
March 15, 2006	6,934,260.16
April 15, 2006	6,686,444.93
May 15, 2006	6,439,591.52
June 15, 2006	6,193,741.16
July 15, 2006	5,948,933.41
August 15, 2006	5,705,206.24

Payment Date

M  
continued

September 15, 2006	\$5,462,595.99
October 15, 2006	5,221,137.51
November 15, 2006	4,980,864.13
December 15, 2006	4,741,807.73
January 15, 2007	4,503,998.79
February 15, 2007	4,267,466.40
March 15, 2007	4,032,238.32
April 15, 2007	3,798,341.01
May 15, 2007	3,565,799.65
June 15, 2007	3,334,638.22
July 15, 2007	3,104,879.48
August 15, 2007	2,876,545.03
September 15, 2007	2,649,655.36
October 15, 2007	2,424,229.82
November 15, 2007	2,200,286.74
December 15, 2007	1,977,843.40
January 15, 2008	1,756,916.16
February 15, 2008	1,537,520.01
March 15, 2008	1,319,669.60
April 15, 2008	1,103,378.24
May 15, 2008	888,658.46
June 15, 2008	675,521.91
July 15, 2008	463,979.42
August 15, 2008	254,040.96
September 15, 2008	45,715.76
October 15, 2008 and after	0.00

TAC Classes

Payment Date

O

April 15, 1994	\$13,307,890.59
May 15, 1994	13,252,400.73
June 15, 1994	13,181,551.45
July 15, 1994	13,095,396.08
August 15, 1994	12,994,020.50
September 15, 1994	12,877,543.12
October 15, 1994	12,746,115.01
November 15, 1994	12,599,919.70
December 15, 1994	12,439,173.11
January 15, 1995	12,264,123.23
February 15, 1995	12,075,049.80
March 15, 1995	11,872,263.89
April 15, 1995	11,656,107.38
May 15, 1995	11,426,952.36
June 15, 1995	11,185,200.40
July 15, 1995	10,931,281.87
August 15, 1995	10,665,654.99
September 15, 1995	10,388,804.98
October 15, 1995	10,101,242.95
November 15, 1995	9,803,504.91
December 15, 1995	9,496,150.53
January 15, 1996	9,179,761.96
February 15, 1996	8,854,942.47
March 15, 1996	8,522,315.14
April 15, 1996	8,182,521.38
May 15, 1996	7,836,219.50
June 15, 1996	7,488,204.08
July 15, 1996	7,138,896.40
August 15, 1996	6,788,728.12
September 15, 1996	6,443,587.65
October 15, 1996	6,107,649.23
November 15, 1996	5,780,750.19
December 15, 1996	5,462,730.32

Payment Date

O  
continued

January 15, 1997	\$5,153,431.89
February 15, 1997	4,852,699.52
March 15, 1997	4,560,380.26
April 15, 1997	4,276,323.44
May 15, 1997	4,000,380.72
June 15, 1997	3,732,406.05
July 15, 1997	3,472,255.57
August 15, 1997	3,219,787.67
September 15, 1997	2,974,862.89
October 15, 1997	2,737,343.95
November 15, 1997	2,507,095.64
December 15, 1997	2,283,984.86
January 15, 1998	2,067,880.56
February 15, 1998	1,858,653.71
March 15, 1998	1,656,177.30
April 15, 1998	1,460,326.26
May 15, 1998	1,270,977.46
June 15, 1998	1,088,009.72
July 15, 1998	911,303.71
August 15, 1998	740,741.96
September 15, 1998	576,208.85
October 15, 1998	417,590.56
November 15, 1998	264,775.04
December 15, 1998	117,652.00
January 15, 1999 and after	0.00

OA

December 15, 1998 and before	3,600,296.00
January 15, 1999	3,576,408.90
February 15, 1999	3,440,346.87

Payment Date

OA  
continued

March 15, 1999	\$3,309,656.75
April 15, 1999	3,184,235.01
May 15, 1999	3,063,979.77
June 15, 1999	2,948,790.76
July 15, 1999	2,838,569.28
August 15, 1999	2,733,218.22
September 15, 1999	2,632,641.98
October 15, 1999	2,536,746.50
November 15, 1999	2,445,439.20
December 15, 1999	2,358,628.98
January 15, 2000	2,276,226.22
February 15, 2000	2,198,142.70
March 15, 2000	2,124,291.61
April 15, 2000	2,054,587.55
May 15, 2000	1,988,946.49
June 15, 2000	1,927,285.74
July 15, 2000	1,869,523.94
August 15, 2000	1,815,581.06
September 15, 2000	1,765,378.33
October 15, 2000	1,718,838.32
November 15, 2000	1,675,884.78
December 15, 2000	1,636,442.74
January 15, 2001	1,600,438.43
February 15, 2001	1,567,799.31
March 15, 2001	1,538,453.97
April 15, 2001	1,512,332.25
May 15, 2001	1,489,365.07
June 15, 2001	1,469,484.49
July 15, 2001	1,452,623.72
August 15, 2001	1,438,717.03
September 15, 2001	1,427,699.83
October 15, 2001	1,415,875.19
November 15, 2001	1,402,298.79

<u>Payment Date</u>	<u>OA</u>	<u>Payment Date</u>	<u>OA</u>	<u>Payment Date</u>	<u>OA</u>
	<i>continued</i>		<i>continued</i>		<i>continued</i>
December 15, 2001	\$1,387,018.94	January 15, 2003	\$1,053,673.54	February 15, 2004	\$529,250.25
January 15, 2002	1,370,082.95	February 15, 2003	1,019,111.23	March 15, 2004	483,114.04
February 15, 2002	1,351,537.21	March 15, 2003	983,464.35	April 15, 2004	436,294.40
March 15, 2002	1,331,427.23	April 15, 2003	946,767.78	May 15, 2004	388,817.87
April 15, 2002	1,309,797.58	May 15, 2003	909,055.72	June 15, 2004	340,710.34
May 15, 2002	1,286,691.93	June 15, 2003	870,361.63	July 15, 2004	291,997.20
June 15, 2002	1,262,153.12	July 15, 2003	830,718.31	August 15, 2004	242,703.25
July 15, 2002	1,236,223.10	August 15, 2003	790,157.85	September 15, 2004	192,852.79
August 15, 2002	1,208,943.00	September 15, 2003	748,711.68	October 15, 2004	142,469.56
September 15, 2002	1,180,353.13	October 15, 2003	706,410.61	November 15, 2004	91,576.80
October 15, 2002	1,150,492.94	November 15, 2003	663,284.74	December 15, 2004	40,197.23
November 15, 2002	1,119,401.14	December 15, 2003	619,363.56	January 15, 2005	
December 15, 2002	1,087,115.63	January 15, 2004	574,675.98	and after	0.00

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## **Class Factors**

### *Description of Factors*

On or about the first business day of each month after the Closing Date, Freddie Mac will publish and make available on FRED a Class Factor for each Class having a principal amount. The Class Factor for any Class for any month will be a truncated seven-digit decimal which, when multiplied by the original principal amount of that Class, will equal its remaining principal amount, after giving effect to any principal payment to be made on the Payment Date in the same month. For example, the January 1 Class Factor for any Class will reflect its remaining principal amount, after giving effect to any principal payment to be made on January 15. Freddie Mac will also publish and make available on FRED Class Factors for the IA Class, which will reflect the remaining notional principal amount of that Class in an analogous manner. The Class Factor for each Class for the month of the Closing Date is 1.0000000.

### *Use of Factors*

For any Payment Date, investors can calculate the amount of principal to be paid on any Class entitled to principal payments by multiplying the original principal amount of that Class by the difference between its Class Factors for the preceding and current months. The amount of interest to be paid on each Class on each Payment Date will equal 30 days' interest on its outstanding principal amount (or, in the case of the IA Class, its notional principal amount) as determined by its Class Factor for the preceding month.

For example, the amount of principal to be paid on any Class entitled to principal payments on February 15 will reflect the difference between its January 1 and February 1 Class Factors. The amount of interest to be paid on any Class on February 15 will equal 30 days' interest at its Class Coupon, accrued during the month of January (in the case of the Fixed Rate Classes) or from January 15 to February 15 (in the case of the Floating Rate and Inverse Floating Rate Classes), on the principal amount (or notional principal amount) of such Class determined by its January 1 Class Factor.

## **Guarantees**

Freddie Mac guarantees to each Holder of a Multiclass PC (i) the timely payment of interest at the applicable Class Coupon and (ii) the payment of the principal amount of the Holder's Multiclass PC as described in this Supplement. See "Description of Multiclass PCs — Guarantees" in the Multiclass PC Offering Circular.

Freddie Mac also guarantees the payment of interest and principal on Gold PCs and Gold Giant PCs. See "PC Security Structure — Guarantees" in the PC Offering Circular and "Description of Freddie Mac Giants — Guarantees" in the Giant PC Offering Circular.

## **Optional Redemption**

Freddie Mac may redeem the Mortgage Securities and the RS Class, in whole but not in part, on any Payment Date when their aggregate outstanding principal amount would be less than 1% of their aggregate original principal amount. Upon any redemption, the redemption price of the Mortgage Securities will be applied to retire the outstanding Regular Classes and the R Class. The PCs are not redeemable. See "Description of Multiclass PCs — Optional Redemption" in the Multiclass PC Offering Circular.

## **Residual Proceeds**

Upon surrender of their certificates to the Registrar, the Holders of the RS Class will receive the proceeds of the remaining assets of the Lower-Tier REMIC Pool, if any, after the aggregate principal amount of the Mortgage Securities and the RS Class has been paid in full. Upon like surrender, the Holders of the R Class will receive the proceeds of the remaining assets of the Upper-Tier REMIC Pool, if any, after the aggregate principal amount of the Regular Classes and the R Class has been paid in full. In both cases, any remaining assets are not likely to be significant.

## PREPAYMENT AND YIELD ANALYSIS

### General

#### *Mortgage Prepayments*

The rate of principal payments on the PCs, and therefore of payments on the Multiclass PCs, will depend primarily on the rate of principal payments on the 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 and payments made by Freddie Mac pursuant to its guarantee of principal (other than scheduled amortization) on PCs. The Mortgages are subject to prepayment at any time without penalty.

Mortgage prepayment rates are likely to fluctuate significantly. In general, when prevailing mortgage interest rates decline significantly below the interest rates on the Mortgages, the prepayment rate on the Mortgages is likely to increase, although a number of other factors also may influence the prepayment rate. See "Prepayments, Yields and Suitability" in the PC Offering Circular.

Acceleration of mortgage payments as a result of transfers of mortgaged properties is an important factor affecting prepayment rates. The Mortgages generally provide that, in the event of the transfer or prospective transfer of the underlying mortgaged property, the full unpaid principal balance is due and payable at the option of the holder. Freddie Mac, in most cases, requires mortgage servicers to enforce such "due-on-transfer" provisions where permitted by applicable law. See "The Mortgages — Mortgage Purchase and Servicing Standards — Mortgage Servicing — Assumption and Due-on-Transfer Policies" in the PC Offering Circular.

#### *PSA Model*

Prepayments on pools of mortgages are commonly measured relative to a variety of prepayment models. The particular model used in this Supplement is the Public Securities Association's standard prepayment model, or "PSA." This model assumes that mortgages will prepay at an annual rate of 0.2% in the first month after origination, that the prepayment rate increases at an annual rate of 0.2% per month up to the 30th month after origination and that the prepayment rate is constant at 6% per annum in the 30th and later months (this assumption is called "100% PSA"). For example, at 100% PSA, mortgages with a loan age of three months (*i.e.*, mortgages in their fourth month after origination) are assumed to prepay at an annual rate of 0.8%. "0% PSA" assumes no prepayments; "50% PSA" assumes prepayment rates equal to 0.50 times 100% PSA; "200% PSA" assumes prepayment rates equal to 2.00 times 100% PSA; and so forth. PSA is not a description of historical prepayment experience or a prediction of the rate of prepayment of the Mortgages.

#### *Weighted Average Life*

The weighted average life of a security refers to the average amount of time that will elapse from the date of its issuance until each dollar of principal has been repaid to the investor. The weighted average lives of the Classes of Multiclass PCs will depend primarily on the rate at which principal is paid on the Mortgages. This Supplement shows weighted average lives under various Mortgage prepayment assumptions. In each case, Freddie Mac has calculated the weighted average life by (i) multiplying the assumed net reduction, if any, in the principal amount on each Payment Date by the number of years from the Closing Date to such Payment Date, (ii) summing the results and (iii) dividing the sum by the aggregate amount of the assumed net reductions in principal amount.

#### *Yield*

The yield of each Class will depend upon its purchase price, its sensitivity to the rate of principal payments on the Mortgages and the actual characteristics of the Mortgages. In addition, the yield of each Floating Rate or Inverse Floating Rate Class will depend upon its sensitivity to the level of

LIBOR. This Supplement shows pre-tax yields to maturity under various scenarios. In each case, Freddie Mac has calculated the pre-tax yield by (i) determining the monthly discount rate (whether positive or negative) that, when applied to an assumed stream of cash flows to be paid on the applicable Class, would cause the discounted present value of such assumed stream of cash flows to equal an assumed purchase price (including accrued interest) of that Class and (ii) converting such monthly rate to a corporate bond equivalent (*i.e.*, semiannual payment) rate. The yield calculations do not take into account any variations in the interest rates at which investors may be able to reinvest payments received. Consequently, they do not reflect the return on any investment when reinvestment rates other than the discount rate are considered.

#### *Modeling Assumptions*

In order to prepare the various tables and other statistical information that follow, Freddie Mac has made certain assumptions regarding the underlying Mortgages. Unless otherwise noted, each table is based on the following assumptions (the "Modeling Assumptions"), among others:

- The Mortgages have the assumed characteristics shown under "Terms Sheet — Assumed Mortgage Characteristics" in this Supplement;
- Payments on the Multiclass PCs are always received on the 15th of the month, whether or not a Business Day; and
- Freddie Mac does not make an optional redemption.

When reading the tables and the related text, investors should bear in mind that the Modeling Assumptions, like any other stated assumptions, are unlikely to be entirely consistent with actual experience. For example, most of the Mortgages will not have the characteristics assumed, many Payment Dates will occur on the first Business Day after the 15th of the month, and Freddie Mac may make an optional redemption as described under "Payments — Optional Redemption" above.

#### *Principal Payment Stability*

Mortgages and mortgage securities, such as the PCs and the Multiclass PCs, are subject to prepayment uncertainty. The rate of principal payments on the PCs will depend directly, and the rate of principal payments on the Classes will depend indirectly, on the rate of principal payments on the Mortgages. However, within certain limits, some Classes, such as the PAC Classes, are expected to exhibit a lower level of prepayment uncertainty than the underlying Mortgages and PCs. Such Classes are said to have a degree of "stability." Stability in one Class or group of Classes is necessarily offset by instability in other Classes, such as the Support Classes, which are said to "support" the more stable Classes.

#### *Suitability*

Multiclass PCs, especially the Interest Only, Inverse Floating Rate, Support and Residual Classes, are not suitable investments for all investors. Multiclass PCs are not appropriate investments for any investor that requires a single lump sum payment on a predetermined date or an otherwise certain payment stream. In addition, although the Underwriter intends to make a market for the purchase and sale of the Multiclass PCs after their initial issuance, it has no obligation to do so. There is no assurance that such a secondary market will develop, that any secondary market will continue, or that the price at which an investor can sell an investment in any Class will enable the investor to realize a desired yield on that investment. The market values of the Classes are likely to fluctuate; such fluctuations may be significant and could result in significant losses to investors. Investors are encouraged to consult their own advisors regarding the financial, legal, tax and other aspects of an investment in Multiclass PCs. No investor should purchase Multiclass PCs of any Class unless the investor understands and is able to bear the prepayment, yield, liquidity and market risks associated with that Class.

## Prepayment and Weighted Average Life Considerations

### *PAC and Scheduled Classes*

Payments of principal on the PAC and Scheduled Classes are likely to be relatively stable because they will receive principal payments in accordance with their schedules of Targeted Balances, so long as Mortgage prepayments occur at rates that are neither too fast nor too slow to support their schedules. Moreover, the PAC and Scheduled Classes will have a cumulative priority for future payments if they fall behind their schedules. For each PAC or Scheduled Class, there is a range of *constant* Mortgage prepayment rates (an "Effective Range") at which such Class would adhere to its schedule of Targeted Balances. The Effective Range at any time depends on the actual or assumed characteristics of the Mortgages at that time. Based on the Modeling Assumptions, each PAC or Scheduled Class would adhere to its Targeted Balances schedule if the Mortgages were to prepay at any *constant* percentage of PSA within its initial Effective Range shown below, until that Class has been retired.

Class	Initial Effective Ranges	
	Range*	
<b>PAC</b>		
A.....	95% PSA through	855% PSA
B.....	95% PSA through	630% PSA
C.....	95% PSA through	440% PSA
D.....	95% PSA through	405% PSA
E.....	95% PSA through	355% PSA
G and H.....	95% PSA through	350% PSA
J.....	70% PSA through	350% PSA
K.....	60% PSA through	350% PSA
<b>Scheduled</b>		
LA.....	140% PSA through	290% PSA
LB and M.....	190% PSA through	250% PSA

\* The Targeted Balances schedules for the Classes shown were prepared by calculating the amounts that would be available for payments of principal on those Classes using, among other things, the Modeling Assumptions and the "structuring ranges" shown under "Terms Sheet — Allocation of Principal" in this Supplement.

The Mortgages will have characteristics that differ from those of the Modeling Assumptions. The initial Effective Ranges, if calculated using the actual characteristics of the Mortgages, could differ from those shown in the table. Therefore, even if the Mortgages were to prepay at a constant rate within the initial Effective Range shown for any Class, but near its upper or lower end, that Class could fail to adhere to its Targeted Balances schedule.

Moreover, the Mortgages will not prepay at any constant rate. Non-constant prepayment rates can cause any Class not to adhere to its Targeted Balances schedule, even if such rates remain within its initial Effective Range. The Effective Range for any Class can narrow or "drift" upward or downward over time.

The principal payment stability of the PAC Classes will be supported in part by the Scheduled, TAC and Support Classes. The principal payment stability of the Scheduled Classes will be supported in part by the TAC and Support Classes. When its supporting Classes are retired, any outstanding PAC or Scheduled Class will no longer have an Effective Range and will become more sensitive to Mortgage prepayments.

If the Mortgages prepay at rates that are generally below the Effective Range for any PAC or Scheduled Class, the PC Principal Amount may be insufficient to reduce that Class to its Targeted Balance and its weighted average life may be extended, perhaps significantly. If the Mortgages prepay at rates that are generally above the Effective Range for any PAC or Scheduled Class, its supporting Classes may be retired earlier than such Class, and its weighted average life may be shortened, perhaps significantly. However, the weighted average lives of one or more of the PAC or Scheduled Classes could be extended under certain scenarios involving Mortgage prepayments at rates that are generally above their Effective Ranges.



The entire PC Principal Amount will be distributed monthly on each Payment Date and will not be retained for distribution on subsequent Payment Dates. Thus, the likelihood that any PAC or Scheduled Classes will adhere to their Targeted Balances schedules will not be enhanced by averaging high and low principal payments in different months.

#### *TAC Classes*

Payments of principal on the TAC Classes are expected to be more stable than would be the case if the TAC Classes were not entitled to receive payments, to the extent of available principal, according to their schedules of Targeted Balances. Based on the Modeling Assumptions, each TAC Class would adhere to its Targeted Balances schedule if the Mortgages were to prepay at a *constant* rate of 225% PSA until that TAC Class has been retired. However, because the characteristics of the Mortgages will differ from those assumed and because the Mortgages will not prepay at 225% PSA or any other constant rate, it is not likely that either TAC Class will consistently adhere to its Targeted Balances schedule.

The principal payment stability of the TAC Classes will be supported in part by the Support Classes. When the Support Classes are retired, either outstanding TAC Class will become more sensitive to Mortgage prepayments.

Based on the Modeling Assumptions, if the Mortgages prepay at rates that are generally below approximately 225% PSA, the PC Principal Amount may be insufficient to reduce the TAC Classes to their Targeted Balances and their weighted average lives may be extended, perhaps significantly. Based on the Modeling Assumptions, if the Mortgages prepay at rates that are generally above approximately 290% PSA in the case of the O Class, and 225% PSA in the case of the OA Class, the weighted average lives of the TAC Classes may be shortened, perhaps significantly. However, the weighted average lives of either or both of the TAC Classes could be extended under certain scenarios involving Mortgage prepayments at rates that are generally above 290% PSA or 225% PSA, as the case may be.

As is the case with the PAC and Scheduled Classes, the likelihood that the TAC Classes will adhere to their Targeted Balances schedules will not be enhanced by averaging high and low principal payments in different months.

#### *Support Classes*

The Support Classes will support the principal payment stability of the PAC, Scheduled and TAC Classes. Thus, the Support Classes are likely to be much more sensitive to Mortgage prepayments than the Classes they support and the PCs. The Support Classes may receive no principal payments for extended periods of time or may receive principal payments that vary widely from period to period. Relatively fast Mortgage prepayments may significantly shorten, and relatively slow Mortgage prepayments may significantly extend, the weighted average lives of the Support Classes.

#### *Declining Balances Table*

The following table shows, for the indicated Classes and the underlying PCs, (i) the percentages of their original principal amounts that would be outstanding after each of the dates shown at various *constant* percentages of PSA and (ii) their corresponding weighted average lives. Freddie Mac has prepared this table using the Modeling Assumptions. However, for 0% PSA, Freddie Mac has assumed that each Mortgage bears interest at a per annum rate 2.5% above that of the PCs and has a remaining term to maturity of 360 months and a loan age of 0 months. The Mortgages will not have the characteristics assumed, and Mortgage prepayment rates will differ from the constant rates shown. These differences may have a significant effect upon the actual payment behavior and weighted average life of any Class and of the underlying PCs. For example, because of the diverse remaining terms to maturity, loan ages and interest rates of the Mortgages, principal payments on any Class may be faster or (except at 0% PSA) slower than indicated, even if the Mortgages were to prepay at the constant rates shown. This may be the case even if the *weighted average* remaining term to maturity, *weighted average* loan age and *weighted average* interest rate of the Mortgages are the same as those of mortgages having the characteristics assumed.





## **Yield Considerations**

An investor seeking to maximize yield should make a decision whether to invest in any Class based on the anticipated yield of that Class resulting from its purchase price, the investor's own projection of Mortgage prepayment rates under a variety of scenarios and, in the case of a Floating Rate or Inverse Floating Rate Class, the investor's own projection of the level of LIBOR under a variety of scenarios. Freddie Mac makes no representation regarding Mortgage prepayment rates, the level of LIBOR or the yield of any Class.

### *Prepayments: Effect on Yields*

The yields to investors will be sensitive in varying degrees to the rate of Mortgage prepayments. In the case of the Interest Only Class and any other Classes purchased at a premium over their principal amounts, faster than anticipated rates of Mortgage principal payments could result in actual yields to investors that are lower than the anticipated yields. Investors in the Interest Only Class should also consider the risk that rapid rates of Mortgage principal payments could result in the failure of investors to fully recover their investments. In the case of Classes purchased at a discount to their principal amounts, slower than anticipated rates of principal payments could result in actual yields to investors that are lower than the anticipated yields.

Rapid rates of prepayments on the Mortgages are likely to coincide with periods of low prevailing interest rates. During such periods, the yields at which an investor may be able to reinvest amounts received as principal payments on the investor's Class of Multiclass PCs may be lower than the yield on that Class. Conversely, slow rates of prepayments on the Mortgages are likely to coincide with periods of high prevailing interest rates. During such periods, the amount of principal payments available to an investor for reinvestment at such high rates may be relatively low.

The Mortgages will not prepay at any constant rate until maturity, nor will all of the Mortgages prepay at the same rate at any one time. The timing of changes in the rate of prepayments may affect the actual yield to an investor, even if the average rate of principal prepayments is consistent with the investor's expectation. In general, the earlier a prepayment of principal on the Mortgages, the greater the effect on an investor's yield. As a result, the effect on an investor's yield of principal prepayments occurring at a rate higher (or lower) than the rate anticipated by the investor during the period immediately following the Closing Date is not likely to be offset by a later equivalent reduction (or increase) in the rate of principal prepayments.

### *LIBOR: Effect on Yields of the Floating Rate and Inverse Floating Rate Classes*

Investors in the Floating Rate Class should consider the risk that lower than anticipated levels of LIBOR could result in an actual yield to investors that is lower than the anticipated yield and the fact that its Class Coupon cannot exceed 9.5% per annum. Conversely, investors in the Inverse Floating Rate Class should consider the risk that higher than anticipated levels of LIBOR could result in an actual yield to investors that is significantly lower than the anticipated yield and the fact that its Class Coupon can fall as low as 0%.

Changes in LIBOR may not correlate with changes in mortgage interest rates. It is possible that lower prevailing mortgage interest rates (which would be expected to result in faster prepayments) could occur concurrently with a higher level of LIBOR. Conversely, higher prevailing mortgage interest rates (which would be expected to result in slower prepayments) could occur concurrently with a lower level of LIBOR.

LIBOR will not remain constant at any level. The timing of changes in the level of LIBOR may affect the actual yield to an investor, even if the average level is consistent with the investor's expectation. In general, the earlier a change in the level of LIBOR, the greater the effect on an investor's yield. As a result, the effect on an investor's yield of a LIBOR level that is higher (or lower) than the rate anticipated by the investor during earlier periods is not likely to be offset by a later equivalent reduction (or increase).

*Payment Delay: Effect on Yields of the Fixed Rate Classes*

The effective yield on any Fixed Rate Class will be less than the yield otherwise produced by its Class Coupon and purchase price because (i) on the first Payment Date 30 days' interest will be payable on that Class even though interest began to accrue approximately 45 days earlier and (ii) on each subsequent Payment Date the interest payable will accrue during the related Accrual Period, which will end approximately 15 days earlier. If the outstanding balance of any Fixed Rate Class is reduced on the Payment Date that falls within an Accrual Period, that Class will accrue interest during such Accrual Period on its reduced balance, even though its balance had been higher for approximately the first 15 days of the Accrual Period. The payment that is made on the Payment Date following such Accrual Period will include interest on the reduced balance only, not on the amount that was paid on the preceding Payment Date, and no interest at all will be paid on any Class after its balance has been reduced to zero.

*Yield Tables*

The following tables show the pre-tax yields to maturity (corporate bond equivalent) of the Interest Only and Inverse Floating Rate Classes at various *constant* percentages of PSA and, in the case of the Inverse Floating Rate Class, at various *constant* levels of LIBOR. The table for the Interest Only Class also shows annual and total interest payments for that Class. Freddie Mac has prepared these tables using the Modeling Assumptions and the assumed purchase prices shown in the table captions. Where the assumed price is expressed as a dollar amount, it includes accrued interest. Where the assumed price is expressed as a percentage of original principal amount, it excludes accrued interest and Freddie Mac has added accrued interest in calculating the yields shown. The assumed prices are not necessarily those at which actual sales will occur.

**Interest Payments and Pre-Tax Yields**

IA Class  
(Assumed Price: \$7,025,936.37)  
(Payments in Thousands)

Twelve Consecutive Months Through	PSA Prepayment Assumption			
	50%	95% through 350%	500%	560%
March 15, 1995	\$ 2,066	\$2,048	\$2,048	\$2,048
March 15, 1996	1,895	1,787	1,787	1,787
March 15, 1997	1,639	1,404	1,404	1,404
March 15, 1998	1,382	1,067	1,030	894
March 15, 1999	1,172	784	571	439
March 15, 2000	977	598	321	230
March 15, 2001	798	444	181	123
March 15, 2002	667	321	107	67
March 15, 2003	560	221	62	30
March 15, 2004	455	148	31	7
March 15, 2005	362	105	9	0
March 15, 2006	285	73	0	0
March 15, 2007	209	47	0	0
March 15, 2008	144	27	0	0
March 15, 2009	94	12	0	0
March 15, 2010	44	1	0	0
March 15, 2011	4	0	0	0
March 15, 2012 and after	0	0	0	0
Total Payments*	<u>\$12,755</u>	<u>\$9,087</u>	<u>\$7,550</u>	<u>\$7,027</u>
Pre-Tax Yield	17.5%	9.0%	3.1%	0.0%

\* Total payments may not equal sums of columns due to rounding.

### Determination of the Prime Rate

Unless otherwise provided in the applicable Supplement, on each Floating Rate Adjustment Date, Freddie Mac will calculate the Class Coupons of Prime Rate Classes for the next Accrual Period by reference to the rate published as the "Prime Rate" in the "Money Rates" section or other comparable section of *The Wall Street Journal* on such Floating Rate Adjustment Date. The rate published in *The Wall Street Journal* currently represents the rate posted by 75% of the 30 largest commercial banks in the United States. In the event 75% of the largest banks do not post the same rate, and *The Wall Street Journal* publishes a prime rate range, then the average of that range, as determined by Freddie Mac, will be the Prime Rate. In the event *The Wall Street Journal* no longer publishes a "Prime Rate" entry, Freddie Mac will designate a new methodology for determining the Prime Rate based on comparable data. Freddie Mac will select a particular methodology as the alternative methodology only if it receives an opinion of counsel that the selection of such methodology will not cause the related REMIC Pool or Pools to lose their classification as REMICs for federal income tax purposes.

If at any time after the Prime Rate becomes unavailable in *The Wall Street Journal*, it again becomes available, the Class Coupons for the Prime Rate Classes for each subsequent Accrual Period will be calculated by reference to the Prime Rate published in *The Wall Street Journal*.

Table 13 below shows historical values for the Prime Rate as published in *The Wall Street Journal* on the first business day of each month for the period indicated. Table 13 does not purport to be representative of subsequent levels of the Prime Rate. No assurance can be given as to any subsequent levels.

Table 13

#### Historical Values of the Prime Rate

	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
January .....	10.50%	10.50%	9.50 - 10.00%	6.50%	6.00%	6.00%
February .....	10.50	10.00	9.50	6.50	6.00	6.00
March .....	11.50	10.00	8.75 - 9.00	6.50	6.00	6.00
April .....	11.50	10.00	8.75 - 9.00	6.50	6.00	6.00
May .....	11.50	10.00	9.00	6.50	6.00	6.00
June .....	11.50	10.00	8.50	6.50	6.00	6.00
July .....	11.00	10.00	8.50	6.50	6.00	6.00
August .....	10.50	10.00	8.50	6.00	6.00	6.00
September .....	10.50	10.00	8.50	6.00	6.00	6.00
October .....	10.50	10.00	8.00	6.00	6.00	6.00
November .....	10.50	10.00	8.00	6.00	6.00	6.00
December .....	10.50	10.00	7.50	6.00	6.00	6.00

### Payments of Principal

On each Payment Date for a Series of Multiclass PCs, Freddie Mac will pay principal in the manner described in the related Supplement to the Holders of each Class on which principal is then due.

Unless otherwise provided in the related Supplement, the total amount of principal required to be paid on the Classes of any Series on a Payment Date will equal the sum of (i) the interest, if any, that has accrued on any Accrual Classes of that Series during the applicable interest accrual period and that is not payable as interest on such Payment Date and (ii) the amount of principal payments required to be made on that Payment Date on the underlying PCs.

Subject to any allocation procedures that may apply in the case of Retail Classes, the Holders of Multiclass PCs of any Class entitled to receive principal payments on any Payment Date will receive such payments on a pro rata basis.

### **Residual Classes**

Holders of each Residual Class will be entitled to receive (i) on each Payment Date, any payments of principal and interest specified in the related Supplement and (ii) the proceeds of the remaining assets, if any, of the related REMIC Pool after the principal amounts of all Classes issued in respect of such REMIC Pool have been paid in full.

Residual Classes will be subject to certain transfer restrictions, including certain restrictions on the ownership of such Classes by foreign persons. See "Certain Federal Income Tax Consequences — Transfers of Interests in a Residual Class."

Freddie Mac will furnish Holders of Residual Classes the information it deems necessary or appropriate to enable them to prepare any reports required under the Internal Revenue Code or applicable Treasury regulations. Freddie Mac does not intend to hold any Residual Class for its account, and applicable law may not permit Freddie Mac to perform tax administrative functions for the REMIC Pools. Accordingly, the Holders of a Residual Class may have certain tax administrative obligations (for which Freddie Mac will act as attorney-in-fact and agent). See "Certain Federal Income Tax Consequences."

### **Guarantees**

Freddie Mac guarantees to each Holder of a Multiclass PC (i) the timely payment of interest at the applicable Class Coupon or as otherwise described in the applicable Supplement and (ii) the payment of the principal amount of the Holder's Multiclass PC, as described in the applicable Supplement.

Freddie Mac also guarantees the payment of interest and principal on all PCs, as follows:

*Gold PCs:* Freddie Mac guarantees to each holder the timely payment of (i) interest at the applicable PC interest rate on the principal balance of the holder's Gold PC, reflecting the holder's pro rata share of the principal balance of the related Mortgages on Freddie Mac's records, as calculated by Freddie Mac under the "Pool Factor Method" described in the applicable PC Offering Circular and (ii) the "Monthly Principal Reduction" (as defined in the applicable PC Offering Circular) due on such Mortgages as calculated by Freddie Mac (subject to applicable adjustments), to the extent of such holder's pro rata share of the principal balance of such Mortgages. Freddie Mac also guarantees to each holder of a Gold PC the ultimate collection of all principal of the related Mortgages, without offset or deduction, not later than the Payment Date in the month of the Final Payment Date of such Gold PC. See the discussion of Freddie Mac's guarantees of Gold PCs in the applicable PC Offering Circular.

*Original PCs and ARM PCs:* Freddie Mac guarantees to each holder the timely payment of interest at the applicable PC interest rate on the principal balance of the holder's PC, reflecting the holder's pro rata share of the principal balance of the related Mortgages on Freddie Mac's records, as calculated by Freddie Mac under the Pool Factor Method. Freddie Mac also guarantees to each such holder the ultimate collection of all principal of the related Mortgages, without offset or deduction. With respect to certain Original PCs, in addition to Freddie Mac's other guarantees, Freddie Mac guarantees to each Holder the timely payment of monthly principal scheduled to be paid under the amortization schedule applicable to each Mortgage, as reported by the servicer; few, if any, such Original PCs are expected to be included in any REMIC Pool.

*Gold Giant PCs, Original Giant PCs and ARM Giant PCs:* Freddie Mac guarantees to each holder (i) the timely payment of interest at the applicable Giant PC interest rate, (ii) the payment of the principal amount of such Gold Giant PC, Original Giant PC or ARM Giant PC as payments are made on the underlying PCs and (iii) in the case of a Gold Giant PC, the reduction of the entire principal amount outstanding by the Payment Date occurring in the month of the Final Payment Date of such Gold Giant PC. See the discussion of Freddie Mac's guarantees in the Giant PC Offering Circular.

#### *Reporting and Administrative Matters*

Freddie Mac will furnish Holders of the Residual Classes the information it deems necessary or appropriate to enable them to prepare any reports required under the Internal Revenue Code or applicable Treasury regulations. Freddie Mac does not intend to hold the Residual Classes for its account, and applicable law may not permit Freddie Mac to perform tax administrative functions for the REMIC Pools. Accordingly, the Holders of the Residual Classes may have certain tax administrative obligations (for which Freddie Mac will act as attorney-in-fact and agent). See "Certain Federal Income Tax Consequences — Reporting and Administrative Matters" in the Multiclass PC Offering Circular.

#### **LEGALITY OF INVESTMENT; REGULATORY CONSTRAINTS; ERISA CONSIDERATIONS**

Investors should consult their legal advisors to determine whether and to what extent any Classes constitute legal investments for such investors. An institution under the jurisdiction of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, the National Credit Union Administration, the Department of the Treasury or any other federal or state agency with similar authority should review any applicable regulations, policy statements and guidelines before purchasing or pledging any Class. See "Legality of Investment" and "Regulatory Constraints" in the Multiclass PC Offering Circular. Fiduciaries of ERISA plans should review "ERISA Considerations" in the Multiclass PC Offering Circular.

#### **PLAN OF DISTRIBUTION**

Subject to the terms and conditions of the Purchase Agreement between Freddie Mac and the Underwriter, Freddie Mac has agreed to sell, and the Underwriter has agreed to purchase, all of the Multiclass PCs, if any are sold and purchased.

The Multiclass PCs are being offered by the Underwriter to the public from time to time in negotiated transactions at varying prices to be determined, in each case, at the time of sale, plus accrued interest from March 1, 1994 on the Fixed Rate Classes and from March 15, 1994 on the Floating Rate and Inverse Floating Rate Classes. The Underwriter may effect such transactions by sales to or through certain securities dealers (which may include Freddie Mac through its Securities Sales and Trading Group). Such dealers may receive compensation in the form of discounts, concessions or commissions from the Underwriter and/or commissions from any purchasers for which they act as agents.

The Purchase Agreement provides that Freddie Mac will indemnify the Underwriter against certain liabilities.

#### **INCREASE IN SIZE**

Before the Closing Date, Freddie Mac and the Underwriter may agree to increase the size of this offering. In that event, the Multiclass PCs will have the same characteristics as described in this Supplement, except that each of the following will increase by the same proportion: (i) the original principal amount (or original notional principal amount) of each Class and (ii) the Targeted Balances. The Terms Supplement and the Supplemental Statement will reflect any increase in size of the transaction.

#### **LEGAL MATTERS**

The legality of the Multiclass PCs will be passed upon for Freddie Mac by Maud Mater, Esq., Senior Vice President—General Counsel and Secretary of Freddie Mac. Certain legal matters relating to the Multiclass PCs will be passed upon for the Underwriter by Cleary, Gottlieb, Steen & Hamilton. The material federal income tax consequences of the Multiclass PCs will be passed upon for Freddie Mac by Cadwalader, Wickersham & Taft.





Offering Circular dated January 18, 1994

## Federal Home Loan Mortgage Corporation

### Multiclass Mortgage Participation Certificates (Issuable in Series)

Freddie  
Mac

The Federal Home Loan Mortgage Corporation ("Freddie Mac") from time to time will offer Multiclass Mortgage Participation Certificates ("Multiclass PCs") in "Series" by means of this Offering Circular and a separate Offering Circular Supplement (a "Supplement") for each Series. Each Series will consist of two or more "Classes." The Classes of each Series will receive principal and interest payments, in differing proportions and at differing times, from the cash flows provided, directly or indirectly, by Freddie Mac "PCs." Underlying the PCs will be pools of first lien, residential mortgages and mortgage participations that Freddie Mac has acquired ("Mortgages").

PCs include "Gold PCs," "Original PCs," "ARM PCs," "Gold Giant PCs," "Original Giant PCs" and "ARM Giant PCs." Gold PCs, Original PCs and ARM PCs represent undivided interests in discrete pools consisting of Mortgages. Gold Giant PCs, Original Giant PCs and ARM Giant PCs represent beneficial ownership interests in discrete pools consisting of PCs.

Freddie Mac guarantees to each "Holder" of a Multiclass PC (i) the timely payment of interest at the applicable Multiclass PC interest rate ("Class Coupon") or as otherwise described in the applicable Supplement and (ii) the payment of the principal amount of the Holder's Multiclass PC as described in the applicable Supplement. Freddie Mac also guarantees the payment of interest and principal on all PCs. See "Description of Multiclass PCs — Guarantees."

Freddie Mac will make interest and principal payments on the Classes of each Series entitled to such payments on each "Payment Date," as described in the applicable Supplement. Payments on the PCs underlying each Series, together with any other assets described in the applicable Supplement, will be sufficient to make timely payments of interest on the Multiclass PCs of that Series and to retire each Class of that Series on or before its "Final Payment Date." The rate of principal payments on each Class of each Series will depend in part on the rate of principal payments (including prepayments) on the related Mortgages.

Each Series will be either a "Single-Tier Series" or a "Double-Tier Series." In a Single-Tier Series, each Class will represent a beneficial ownership interest in a single "REMIC Pool," including PCs or securities backed by PCs. In a Double-Tier Series, each Class will represent a beneficial ownership interest in one of two REMIC Pools, called the "Upper-Tier REMIC Pool" and the "Lower-Tier REMIC Pool." The assets of the Upper-Tier REMIC Pool will include one or more securities ("Mortgage Securities") representing "regular interests" in the related Lower-Tier REMIC Pool, and the Lower-Tier REMIC Pool will include PCs or securities backed by PCs. Any REMIC Pool may also include cash or other eligible assets.

An election will be made to treat each REMIC Pool as a "real estate mortgage investment conduit" ("REMIC") pursuant to the Internal Revenue Code. The "Regular Classes" of each Series will constitute "regular interests" in a REMIC for federal income tax purposes. A single "Residual Class" constituting the "residual interest" in a REMIC for federal income tax purposes will be created for each REMIC Pool. Residual Classes will be subject to transfer restrictions. See "Certain Federal Income Tax Consequences."

Unless otherwise specified in the applicable Supplement, Regular Classes will be sold in book-entry form only. Residual Classes will be sold in registered, certificated form only. See "Description of Multiclass PCs — Form of Multiclass PCs, Holders, Minimum Principal Amounts and Transfers."

This Offering Circular should be read in conjunction with the Supplement applicable to each Series and the additional documents specified in that Supplement. See "Availability of Information and Incorporation by Reference."

The obligations of Freddie Mac under its guarantees of the Multiclass PCs are obligations of Freddie Mac only. Multiclass PCs, including any interest thereon, are not guaranteed by the United States and do not constitute debts or obligations of the United States or any agency or instrumentality of the United States other than Freddie Mac. Income on the Multiclass PCs has no exemption under federal law from federal, state or local taxation. The Multiclass PCs are exempt from the registration requirements of the Securities Act of 1933 and are "exempt securities" within the meaning of the Securities Exchange Act of 1934.

This Offering Circular may not be used to consummate sales of Multiclass PCs unless accompanied by the applicable Supplement.

A Holder of a Multiclass PC is not necessarily the beneficial owner of such Multiclass PC. Beneficial owners ordinarily will hold Regular Classes, and may hold Residual Classes, through one or more financial intermediaries, such as banks, brokerage firms and securities clearing organizations. A Holder that is not also the beneficial owner of a Multiclass PC, and each other financial intermediary in the chain to the beneficial owner, will be responsible for establishing and maintaining accounts for their customers and for remitting payments to those accounts. See "Description of Multiclass PCs — Form of Multiclass PCs, Holders, Minimum Principal Amounts and Transfers."

**Minimum Principal Amounts and Transfers** .....

Unless otherwise provided in the applicable Supplement, (i) Regular Classes (other than Retail Classes) will be issued and must be maintained and transferred in minimum original principal (or minimum original notional principal) amounts of \$1 and additional increments of \$1 and (ii) Residual Classes will be issued and must be maintained and transferred in minimum original principal (or minimum original notional principal) amounts of \$1,000 and additional increments of \$1 or, in the case of a Residual Class without an original principal (or original notional principal) amount, in minimum percentage interests of 1% in the residual interest in the related REMIC Pool. See "Description of Multiclass PCs — Form of Multiclass PCs, Holders, Minimum Principal Amounts and Transfers."

**Payment Dates** .....

Unless otherwise provided in the applicable Supplement, Freddie Mac will pay principal and interest to Holders of Multiclass PCs of each Series entitled to such payments on the 15th of each month specified in the related Supplement or, if the 15th is not a "Business Day," on the next Business Day (a "Payment Date"), beginning on the date specified in the related Supplement. For this purpose, "Business Day" means a day other than (i) a Saturday or Sunday, (ii) a day on which the Federal Reserve Bank of New York (or other agent acting as Freddie Mac's fiscal agent) or, as to Multiclass PCs issued in certificated form, the Registrar is authorized or obligated by law or executive order to remain closed, (iii) as to any Holder of a Multiclass PC issued in book-entry form, a day on which the Federal Reserve Bank at which such Holder's account is maintained is authorized or obligated by law or executive order to remain closed, (iv) a day on which the offices of the federal government located in the District of Columbia generally are closed for business or (v) a day on which the offices of Freddie Mac are closed.

**Method of Payment** .....

Unless otherwise provided in the applicable Supplement, a Federal Reserve Bank will credit payments on each Payment Date to the accounts of Holders of Regular Classes maintained on the Federal Reserve Banks' book-entry system. Each Holder, and each other financial intermediary in the chain to the beneficial owner, will be responsible for remitting payments to their customers.

Unless otherwise provided in the applicable Supplement, the Registrar will make payments on a Retail Class to the Depository in immediately available funds. The Depository will be responsible for crediting payments to the accounts of the appropriate Depository participants in accordance with the Depository's normal procedures. Each Depository participant, and each other financial intermediary in the chain to the beneficial owner, will be responsible for remitting payments to their customers.

The Registrar will mail payments on a Residual Class by check to the addresses of the Holders of such Class, as they appear on the Registrar's records, or, if specified in the related Supplement, by wire transfer to such Holders, in either case not later than the

This Offering Circular, together with the Supplement for each Series, constitutes an offer to sell only that Series. Freddie Mac has not authorized any broker, dealer or salesperson, or anyone else, to make any statements, written or oral, in connection with any such offer, except for those contained in this Offering Circular, in the applicable Supplement and in the other documents and sources of information prepared by Freddie Mac that are specified in that Supplement. Investors must not rely on any other statements as having been authorized by Freddie Mac. Neither this Offering Circular nor any Supplement constitutes an offer to sell or a solicitation of an offer to buy any Multiclass PCs by anyone in any jurisdiction where such an offer or solicitation would be unlawful, or where the person making such an offer or solicitation would not be qualified to do so, or to anyone to whom it would be unlawful to make such an offer or solicitation. Freddie Mac makes no representation that the statements in this Offering Circular, any Supplement or any other document will be correct at any time after the date of such document, even though delivery of the document and the sale of the Multiclass PCs take place on a later date.

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## OFFERING CIRCULAR SUMMARY

The summary information below is qualified in its entirety by reference to the information appearing elsewhere in this Offering Circular and by reference to the information regarding each Series of Multiclass PCs contained in the related Supplement.

- Seller and Guarantor** . . . . . The Federal Home Loan Mortgage Corporation, a publicly held government-sponsored enterprise.
- The Multiclass PCs** . . . . . Freddie Mac will create the Multiclass PCs of each Series under a Multiclass Mortgage Participation Certificate Agreement dated as of January 18, 1994, as supplemented by a Terms Supplement relating to each Series (together, the "Multiclass PC Agreement"). The Multiclass PCs of each Single-Tier Series will represent beneficial ownership interests in the related REMIC Pool formed by Freddie Mac under the Multiclass PC Agreement. In the case of a Double-Tier Series, (i) the Classes issued in respect of the related Lower-Tier REMIC Pool (the "Lower-Tier Classes") will represent beneficial ownership interests in that Pool, (ii) one or more Lower-Tier Classes, representing "regular interests" in that Pool, will constitute the Mortgage Securities for the related Upper-Tier REMIC Pool and (iii) the Classes issued in respect of the Upper-Tier REMIC Pool (the "Upper-Tier Classes") will represent beneficial ownership interests in that Pool. In a Double-Tier Series, the Multiclass PCs include all of the Upper-Tier Classes plus the Residual Class issued in respect of the Lower-Tier REMIC Pool.
- REMIC Pool Assets** . . . . . Various PCs or other securities created or acquired by Freddie Mac having the characteristics described under "Description of Multiclass PCs — REMIC Pool Assets" in this Offering Circular and, as to a particular Series, in the related Supplement. The Mortgages underlying such PCs or other securities will be first lien, residential mortgages, including whole mortgage loans and/or mortgage participation interests. PCs include Gold PCs, Original PCs, ARM PCs, Gold Giant PCs, Original Giant PCs and ARM Giant PCs. The Mortgages in each pool underlying a PC will be entirely conventional Mortgages or entirely Mortgages insured by the Federal Housing Administration and/or partially guaranteed by the Department of Veterans Affairs.
- Form of Multiclass PCs** . . . . . Unless otherwise specified in the Supplement relating to a Series, the Regular Classes of that Series will be issued and maintained, and may be transferred by Holders, only on the book-entry system of the Federal Reserve Banks. Regular Classes maintained on such book-entry system may be held of record only by entities eligible to maintain book-entry accounts with a Federal Reserve Bank. If a Series includes one or more "Retail Classes," each such Class will be represented by one or more certificates held by or on behalf of The Depository Trust Company or its successor (the "Depository"), unless otherwise provided in the related Supplement. The Depository will maintain each such Class through its book-entry facilities. The Residual Class for each REMIC Pool will be issued in registered, certificated form. Residual Classes will be transferable and exchangeable at the office of Texas Commerce Bank National Association or its successor (the "Registrar").
- Holders** . . . . . The term "Holders" means (i) in the case of a Regular Class other than a Retail Class, the entities that appear on the book-entry records of a Federal Reserve Bank as holders of that Class, (ii) in the case of a Retail Class, the Depository or its nominee and (iii) in the case of a Residual Class, the entities or individuals that appear on the records of the Registrar as the registered holders of that Class.

applicable Payment Date. However, a Holder will receive (i) the final payment of principal, if any, on a Residual Class only upon presentation of the Holder's certificate to the Registrar for notation of such payment and (ii) the final payment on a Residual Class only upon surrender of the Holder's certificate to the Registrar. See "Description of Multiclass PCs — Form of Multiclass PCs, Holders, Minimum Principal Amounts and Transfers."

- Interest** ..... Interest will accrue on each Class of each Series at its applicable Class Coupon (which may be zero) or as otherwise described in the related Supplement and will be paid on each Payment Date, except for interest on any "Accrual Classes" contained in such Series. Interest on each Accrual Class will be paid to the extent, if any, provided in the related Supplement. The amount of any interest accrued and not paid on any Accrual Class will be added to the principal amount of that Class. Any accrued interest so added will also accrue interest. Interest payable or added to principal on a Payment Date will accrue during the period or periods (each, an "Accrual Period") specified in the related Supplement. See "Description of Multiclass PCs — Payments of Interest."
- Principal** ..... Freddie Mac will pay principal on the Multiclass PCs of each Series on each Payment Date as described in the related Supplement. Subject to any allocation procedures that may apply in the case of a Retail Class, the Holders of any Class entitled to receive principal payments on any Payment Date will receive such payments on a pro rata basis. See "Description of Multiclass PCs — Payments of Principal."
- Residual Classes** ..... Holders of each Residual Class will be entitled to receive (i) on each Payment Date, any payments of principal and interest specified in the related Supplement and (ii) the proceeds of the remaining assets, if any, of the related REMIC Pool after the principal amounts of all Classes issued in respect of that REMIC Pool have been paid in full.
- Each Residual Class will be subject to transfer restrictions. See "Certain Federal Income Tax Consequences — Transfers of Interests in a Residual Class."
- Record Date** ..... Each payment on the Multiclass PCs of a Series will be made to Holders of record as of the day specified in the related Supplement.
- Final Payment Date** ..... The Final Payment Date for each Class of a Series is the latest date by which such Class will be retired. Freddie Mac will calculate the Final Payment Date for each Class as described in the related Supplement. See "Description of Multiclass PCs — Final Payment Dates and Weighted Average Lives."
- Guarantees** ..... Freddie Mac guarantees to each Holder of a Multiclass PC (i) the timely payment of interest at the applicable Class Coupon or as otherwise described in the applicable Supplement and (ii) the payment of the principal amount of the Holder's Multiclass PC as described in the applicable Supplement. Freddie Mac also guarantees payment of interest and principal on all PCs. See "Description of Multiclass PCs — Guarantees."
- Optional Redemption** ..... Unless otherwise provided in the Supplement relating to a Series, Freddie Mac may redeem the outstanding Multiclass PCs of such Series (or, in the case of a Double-Tier Series, the outstanding Lower-Tier Classes) in whole, but not in part, on any Payment Date when their aggregate outstanding principal amount would be less than 1% of their aggregate original principal amount. Upon any such redemption of Lower-Tier Classes in a Double-Tier Series, the redemption price of the Mortgage Securities will be applied to retire

the outstanding Upper-Tier Classes. See "Description of Multiclass PCs — Optional Redemption."

**Class Factors** . . . . . On or about the first (or, if so provided in the related Supplement, the seventh) business day of each month, Freddie Mac will publish a Class Factor for each Class having a principal amount. The Class Factor for any Class for any month will be a truncated seven-digit decimal which, when multiplied by the original principal amount of that Class, will equal its remaining principal amount, after giving effect to any payment of (or addition to) principal to be made on the Payment Date in the following month or, in the case of a Series backed by Gold PCs or Gold Giant PCs, in the same month. See "Description of Multiclass PCs — Class Factors."

**REMIC Election and Tax Status of the Multiclass PCs** . . . . . Freddie Mac will elect to treat each REMIC Pool as a REMIC for federal income tax purposes. Regular Classes will be "regular interests," and Residual Classes will be "residual interests," in the related REMICs for federal income tax purposes.

As a consequence of the REMIC election, the Multiclass PCs will generally be treated as "qualifying real property loans" for mutual savings banks and domestic building and loan associations, "regular or residual interests in a REMIC" for domestic building and loan associations, "real estate assets" for real estate investment trusts and, except for Residual Classes, as "qualified mortgages" for other REMICs. See "Certain Federal Income Tax Consequences — Status of Multiclass PCs."

**Special tax considerations apply to Residual Classes.** The taxation of a Residual Class can produce a significantly less favorable after-tax return than if (i) the Residual Class were taxable as a debt instrument or (ii) no portion of the taxable income on the Residual Class were treated as "excess inclusions." In certain periods, taxable income and the resulting tax liability on a Residual Class may exceed payments received on that Class. See "Certain Federal Income Tax Consequences — Taxation of Residual Classes." In addition, a substantial tax may be imposed on certain transferors of a Residual Class and certain beneficial owners of a Residual Class that are "pass-thru entities." See "Certain Federal Income Tax Consequences — Transfers of Interests in a Residual Class." Investors should not purchase Residual Classes before consulting their tax advisors.

**Legality of Investment** . . . . . See "Legality of Investment" and "Regulatory Constraints." Fiduciaries of ERISA plans should review "ERISA Considerations."

ศูนย์วิทยพัชกร  
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## FEDERAL HOME LOAN MORTGAGE CORPORATION

Freddie Mac is a publicly held government-sponsored enterprise created on July 24, 1970 pursuant to the Federal Home Loan Mortgage Corporation Act, Title III of the Emergency Home Finance Act of 1970, as amended, 12 U.S.C. §§ 1451-1459 (the "Freddie Mac Act"). Freddie Mac's statutory mission is (i) to provide stability in the secondary market for home mortgages, (ii) to respond appropriately to the private capital market and (iii) to provide ongoing assistance to the secondary market for residential mortgages (including activities relating to mortgages on housing 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 residential mortgage credit throughout the United States (including central cities, rural areas and other underserved areas) by increasing the liquidity of mortgage investments and improving the distribution of investment capital available for residential mortgage financing.

The principal activity of Freddie Mac consists of the purchase of first lien, conventional residential mortgages and participation interests in such mortgages from mortgage lending institutions and the resale of the mortgages and participations so purchased in the form of guaranteed mortgage-related securities. Freddie Mac generally finances its purchases of mortgages with sales of guaranteed mortgage-related securities. Mortgages retained by Freddie Mac are financed with short-term and long-term debt, cash temporarily held pending disbursement to securities holders and equity capital. Freddie Mac also engages in transactions involving the purchase and securitization of its outstanding guaranteed mortgage-related securities.

### AVAILABILITY OF INFORMATION AND INCORPORATION BY REFERENCE

Freddie Mac prepares an annual Information Statement that describes Freddie Mac, its business and operations and contains Freddie Mac's audited financial statements. From time to time Freddie Mac prepares Information Statement Supplements that include unaudited financial data and other information concerning its business and operations. Freddie Mac periodically prepares "PC Offering Circulars" for Gold PCs, Original PCs and ARM PCs and a "Giant PC Offering Circular" for Gold Giant PCs, Original Giant PCs and ARM Giant PCs. These Offering Circulars describe the general characteristics of such securities, the related mortgages and other matters. Each describes the agreement under which such securities are created and sold (a "PC Agreement" in the case of the Gold PCs, Original PCs and ARM PCs; a "Giant PC Agreement" in the case of Gold Giant PCs, Original Giant PCs and ARM Giant PCs). The Supplement for each Series of Multiclass PCs will incorporate by reference the current Information Statement, the applicable PC Offering Circular and Giant PC Offering Circular and any applicable supplements to those documents. Investors can obtain any of these documents, the Multiclass PC Agreement (including the Terms Supplement for any Series) and any other documents prepared and made available by Freddie Mac by writing or calling the Investor Inquiry Department at Freddie Mac at 8200 Jones Branch Drive, McLean, Virginia 22102 (outside Washington, D.C. metropolitan area, phone 800/336-FMPC; within Washington, D.C. metropolitan area, phone 703/759-8160).

### DESCRIPTION OF MULTICLASS PCs

#### General

Freddie Mac will offer Multiclass PCs from time to time in Series by means of this Offering Circular and a Supplement relating to each Series. Each Series of Multiclass PCs will consist of two or more Classes.

Each Class will represent a beneficial ownership interest in the REMIC Pool, or in one of the two REMIC Pools, for the related Series. In the case of a Single-Tier Series, the Multiclass PCs will represent beneficial ownership interests in a single REMIC Pool, consisting of PCs or securities backed by PCs and, if so provided in the related Supplement, cash or other eligible assets. In the case of a Double-Tier Series, (i) the Lower-Tier Classes will represent beneficial ownership interests in the Lower-Tier REMIC Pool, consisting of PCs or securities backed by PCs, (ii) one or more Lower-Tier Classes, representing "regular interests" in that Pool, will constitute the Mortgage Securities for the related Upper-Tier REMIC Pool and (iii) the Upper-Tier Classes will represent beneficial ownership interests in the Upper-Tier REMIC Pool. Either REMIC Pool in a Double-Tier Series may, if so provided in the related Supplement, also include cash or other eligible assets. Each Single-Tier Series

will include a single Residual Class, and each Double-Tier Series will include two Residual Classes (one for each REMIC Pool).

Each Series of Multiclass PCs will be created under the Multiclass PC Agreement, including the Terms Supplement for that Series. Holders and anyone having a beneficial interest in Multiclass PCs of any Series should refer to the Multiclass PC Agreement for a complete description of their rights and obligations and the rights and obligations of Freddie Mac. Holders and beneficial owners of Multiclass PCs will acquire their Multiclass PCs subject to all terms and conditions of the Multiclass PC Agreement.

#### Standard Definitions and Abbreviations for Classes

Classes of Multiclass PCs fall into different categories. The following chart identifies and generally defines most categories. The first column of the chart shows Freddie Mac's standard abbreviation for each category. The cover page of each Supplement will identify the categories of Classes of the related Series by means of one or more of these abbreviations.

<u>Freddie Mac Standard Abbreviation</u>	<u>Category of Class</u>	<u>Definition</u>
<b>PRINCIPAL TYPES</b>		
AD	Accretion Directed	Classes that are designed to receive principal payments from accretions on specified Accrual Classes. These Classes also may receive principal payments from principal paid on the underlying PCs or other REMIC Pool assets.
CPT	Component	Classes consisting of "Components." The Components of a Component Class may have different principal and/or interest payment characteristics but together constitute a single Class. Each Component of a Component Class may be identified as falling into one or more of the categories in this chart.
NPR	No Payment Residual	Residual Classes that are designed to receive no payments of principal.
NSJ	Non-Sticky Jump	Classes whose principal payment priorities change temporarily upon the occurrence of one or more "trigger" events. A Non-Sticky Jump Class "jumps" to its new priority on each Payment Date when the trigger condition is met and reverts to its original priority (does not "stick" to the new priority) on each Payment Date when the trigger condition is not met.
NTL	Notional	Classes having only a notional principal amount. A notional principal amount is the amount used as a reference to calculate the amount of interest due on an Interest Only Class that is not entitled to any principal.
PAC	PAC (or Planned Amortization Class)	Classes that are designed to receive principal payments using a predetermined schedule derived by assuming two <i>constant</i> prepayment rates for the underlying Mortgages. A PAC schedule generally will reflect a "structuring range" at least 30% PSA (as will be defined in each applicable Supplement) both above and below the Prepayment Assumption (as defined under "Certain Federal Income Tax Consequences — Taxation of Regular Classes — Original Issue Discount" in this Offering Circular) for the related Series. The PAC Classes in any Series may include two or more "Types." The PAC Class or Classes within any Type generally have a single structuring range. The different Types have different structuring ranges and/or different principal payment priorities. In cases where there is more than one Type, the PAC Classes may be assigned such designations as <i>Type I PAC Classes</i> , <i>Type II PAC Classes</i> and so forth (standard abbreviations: <i>PAC I</i> , <i>PAC II</i> and so forth).



<u>Freddie Mac Standard Abbreviation</u>	<u>Category of Class</u>	<u>Definition</u>
SCH	Scheduled	Classes that are designed to receive principal payments using a predetermined schedule, but that are not designated as PAC or TAC Classes. Scheduled Classes may include, among others, the following types of Classes: (i) Classes that are designed to receive principal payments using two predetermined schedules, each of which is derived using either a single <i>constant</i> prepayment rate or two <i>constant</i> prepayment rates for the underlying Mortgages ("High/Low Scheduled Classes"); (ii) Classes that are designed to receive principal payments using a predetermined schedule (typically based on a percentage of the remaining principal balance of the underlying REMIC Pool assets) such that they will be retired by the last date of such schedule under all Mortgage prepayment scenarios, including a scenario in which no prepayments occur ("Absolute Maturity Scheduled Classes"); (iii) Classes that are designed to receive principal payments using a predetermined schedule derived by assuming two <i>constant</i> prepayment rates for the underlying Mortgages, which schedule reflects a "structuring range" that is less than 30% PSA above and/or less than 30% PSA below the Prepayment Assumption ("Limited Range Scheduled Classes") and (iv) Classes consisting of PAC and TAC Components, PAC and Scheduled Components or Scheduled and TAC Components ("Component Scheduled Classes").
SEQ	Sequential Pay	Classes that receive principal payments in a prescribed sequence, that do not have predetermined schedules and that, in most cases, receive payments of principal continuously from the first Payment Date on which they receive principal until they are retired. Sequential Pay Classes may receive principal payments concurrently with one or more other Sequential Pay Classes. A single Class that receives principal payments before, after or concurrently with all other Classes in the same Series may be identified as a Sequential Pay Class.
SJ	Sticky Jump	Classes whose principal payment priorities change permanently upon the occurrence of one or more "trigger" events. A Sticky Jump Class "jumps" to its new priority on the first Payment Date when the trigger condition is met and retains ("sticks" to) that priority until retired.
STP	Strip	Classes that receive a constant proportion, or "strip," of the principal payments on the underlying PCs or other REMIC Pool assets.
SUP	Support (or Companion)	Classes that receive principal payments on any Payment Date only if scheduled payments have been made on specified PAC, TAC and/or Scheduled Classes.
TAC	TAC (or Targeted Amortization Class)	Classes that are designed to receive principal payments using a predetermined schedule derived by assuming a single <i>constant</i> prepayment rate for the underlying Mortgages. The TAC Classes in any Series may include two or more "Types." The different Types have different principal payment priorities and/or have schedules that are derived from different assumed prepayment rates. In cases where there is more than one Type, the TAC Classes may be assigned such designations as <i>Type I TAC Classes</i> , <i>Type II TAC Classes</i> and so forth (standard abbreviations: <i>TAC I</i> , <i>TAC II</i> and so forth).
XAC	Index Allocation Class	Classes whose principal payment allocations are based on the value of an index.



<u>Freddie Mac Standard Abbreviation</u>	<u>Category of Class</u>	<u>Definition</u>
<b>INTEREST TYPES</b>		
ARB	Ascending Rate	Classes that have predetermined Class Coupons that change one or more times on dates determined before issuance.
DLY	Delay	A Floating Rate or Inverse Floating Rate Class for which there is a delay, typically of approximately 15 days, between the end of its Accrual Period and the related Payment Date.
EXE	Excess	Classes that receive any principal and interest paid on the underlying PCs or other REMIC Pool assets in excess of the amount of the prescribed principal and interest required to be paid on all Classes in the Series. Excess Classes sometimes have specified principal amounts but no specified Class Coupon.
FIX	Fixed Rate	Classes with Class Coupons that are fixed throughout the life of the Class.
FLT	Floating Rate	Classes with Class Coupons that are reset periodically based on an index and that vary directly with changes in the index.
INV	Inverse Floating Rate	Classes with Class Coupons that are reset periodically based on an index and that vary inversely with changes in the index.
IO	Interest Only	Classes that receive some or all of the interest payments made on the underlying PCs or other REMIC Pool assets and little or no principal. Interest Only Classes have either a nominal or a notional principal amount. A nominal principal amount represents actual principal that will be paid on the Class. It is referred to as nominal since it is extremely small compared to other Classes. A notional principal amount is the amount used as a reference to calculate the amount of interest due on an Interest Only Class that is not entitled to any principal.
NPR	No Payment Residual	Residual Classes that are designed to receive no payments of interest.
PO	Principal Only	Classes that do not receive any interest.
PZ	Partial Accrual	Classes that accrete a part of their interest, which is added to the outstanding principal balance, and simultaneously receive payments of the remainder as interest.
W	WAC (or Weighted Average Coupon)	Classes whose Class Coupons represent a blended interest rate that may change from period to period. WAC Classes may consist of Components, some of which have different interest rates.
Z	Accrual	Classes that accrete all of their interest, which is added to the outstanding principal balance. This accretion may continue until the Class begins receiving principal payments, until some other event has occurred or until the Class is retired.
<b>OTHER TYPES</b>		
LIQ	Liquid Asset	Classes intended to qualify as "liquid assets" for certain savings institutions. Liquid Asset Classes have Final Payment Dates not later than five years from their dates of issuance.
RTL	Retail	Classes designated for sale to retail investors. Retail Classes frequently are sold in small "units" or other increments and may receive principal payments in accordance with special priorities and allocation procedures.

### **Form of Multiclass PCs, Holders, Minimum Principal Amounts and Transfers**

Unless otherwise provided in the applicable Supplement, Freddie Mac will sell Regular Classes (other than Retail Classes) only in book-entry form through the Federal Reserve Banks' book-entry system. Freddie Mac's fiscal agent for such Regular Classes will be the Federal Reserve Banks. The Fiscal Agency Agreement between Freddie Mac and the Federal Reserve Bank of New York, acting on behalf of the Federal Reserve Banks, makes generally applicable to such Regular Classes (i) the Freddie Mac book-entry regulations (1 C.F.R. Part 462), (ii) the procedures, insofar as applicable, established from time to time by regulations of the U.S. Department of the Treasury governing obligations of the U.S. Department of the Treasury, as now contained in Treasury Department Circular No. 300, and (iii) such other procedures as may be agreed upon from time to time by Freddie Mac and a Federal Reserve Bank. These regulations and procedures relate primarily to the registration, transfer and pledge of Freddie Mac's book-entry securities. A copy of Circular No. 300 may be obtained upon request from any Federal Reserve Bank, the U.S. Department of the Treasury or Freddie Mac. The accounts of Holders on the Federal Reserve Banks' book-entry system are governed by applicable operating circulars and letters of the Federal Reserve Bank. Each Class of Multiclass PCs is assigned a unique nine-character designation (a "CUSIP Number") used, among other things, to identify such Class.

Unless otherwise provided in the applicable Supplement, Regular Classes (other than Retail Classes) will be issued and must be maintained and transferred on the book-entry system of the Federal Reserve Banks in minimum original principal (or minimum original notional principal) amounts of \$1 and additional increments of \$1. Transfers of Regular Classes will also be subject to any applicable Federal Reserve Bank minimum wire transfer requirements.

A Regular Class in book-entry form (other than a Retail Class) may be held of record only by entities eligible to maintain book-entry accounts with a Federal Reserve Bank. A Federal Reserve Bank's book-entry records will reflect Holders' aggregate holdings of a Regular Class by account.

If a Series includes one or more Retail Classes, each such Class will be represented by one or more certificates registered in the name of the Depository or its nominee, unless otherwise provided in the related Supplement. The Depository will maintain each such Class through its book-entry facilities.

Unless otherwise provided in the applicable Supplement, Residual Classes will be issued only in certificated form in minimum original principal (or minimum original notional principal) amounts of \$1,000 and additional increments of \$1 or, in the case of a Residual Class without an original principal (or original notional principal) amount, in minimum percentage interests of 1% in the residual interest in the related REMIC Pool. Residual Classes will be transferable and exchangeable at the offices of the Registrar. A service charge may be imposed for any exchange or registration of transfer of an interest in a Residual Class, and Freddie Mac may require payment of a sum sufficient to cover any tax or other governmental charge.

The term "Holders" means (i) in the case of a Regular Class other than a Retail Class, the entities that appear on the book-entry records of a Federal Reserve Bank as holders of that Class, (ii) in the case of a Retail Class, the Depository or its nominee and (iii) in the case of a Residual Class, the entities or individuals that appear on the records of the Registrar as the registered holders of that Class.

A Holder of a Multiclass PC is not necessarily the beneficial owner of such Multiclass PC. Beneficial owners ordinarily will hold Regular Classes, and may hold Residual Classes, through one or more financial intermediaries, such as banks, brokerage firms and securities clearing organizations. For example, an investor may hold an interest in a Regular Class through a brokerage firm which, in turn, holds such interest through an entity eligible to maintain book-entry accounts with a Federal Reserve Bank. In that case, the beneficial owner of such interest would be the investor and the entity that appears as the holder on the records of a Federal Reserve Bank would be the Holder. A Holder that is not also the beneficial owner of a Multiclass 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. The rights of the beneficial owner of a Multiclass PC with respect to

Freddie Mac and (in the case of a Regular Class maintained on the Federal Reserve Banks' book-entry system) a Federal Reserve Bank may be exercised only through the Holder of the Multiclass PC. Neither Freddie Mac nor any Federal Reserve Bank will have a direct obligation to a beneficial owner of a Multiclass PC that is not also the Holder of the Multiclass PC. A Federal Reserve Bank will act only upon the instructions of the Holder in recording transfers of a Regular Class maintained on the Federal Reserve Banks' book-entry system.

Freddie Mac, the Registrar and the Federal Reserve Banks, or any agent of Freddie Mac, the Registrar or the Federal Reserve Banks, may treat the Holder as the absolute owner of a Multiclass PC for the purpose of receiving payments of principal or interest and for all other purposes, and neither Freddie Mac, the Registrar or the Federal Reserve Banks, nor any agent of Freddie Mac, the Registrar or the Federal Reserve Banks, will be affected by any notice to the contrary.

A Federal Reserve Bank will credit payments to Holders on each applicable Payment Date. Holders of a Regular Class on the books and records of a Federal Reserve Bank on the applicable Record Date will be entitled to any payments on the Regular Class made on the related Payment Date. The Multiclass PC Agreement provides that in the event of a principal or interest payment error, Freddie Mac in its sole discretion either may request a Federal Reserve Bank to correct such error or may effect corrections by the adjustment of payments to be made on future Payment Dates.

Unless otherwise provided in the applicable Supplement, payments on a Retail Class will be made by the Registrar to the Depository in immediately available funds. The Depository will be responsible for crediting the payment to the accounts of the appropriate Depository participants in accordance with the Depository's normal procedures. Each Depository participant and each other financial intermediary will be responsible for remitting payments to the beneficial owners of the Retail Class that it represents.

Payments on a Residual Class will be made by check mailed by the Registrar to the addresses of the Holders, as they appear on the register maintained by the Registrar, or, if specified in the related Supplement, by wire transfer to such Holders, in either case not later than the applicable Payment Date. However, a Holder will receive (i) the final payment of principal, if any, on a Residual Class only upon presentation of the Holder's certificate to the Registrar for notation of such payment and (ii) the final payment on a Residual Class only upon presentation and surrender of the Holder's certificate to the Registrar.

#### **REMIC Pool Assets**

Each REMIC Pool will include any one or more of the following types of securities:

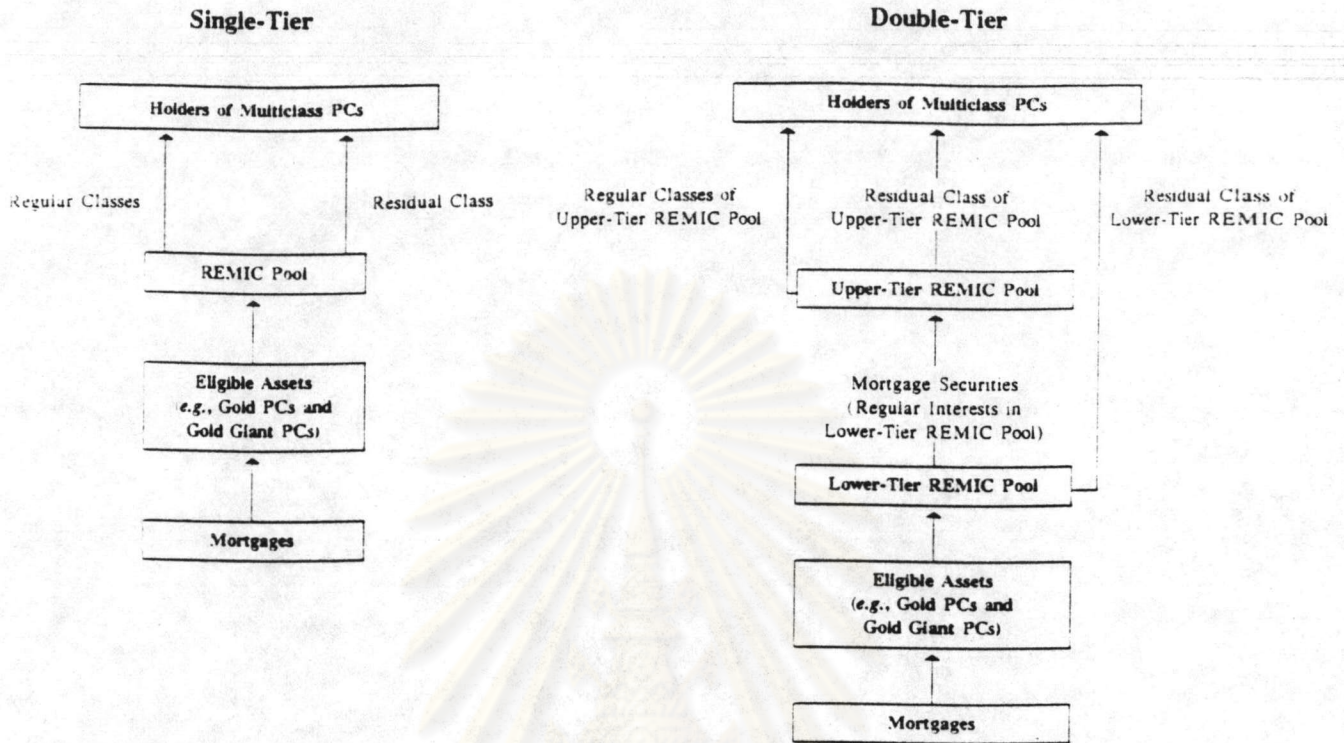
(i) Freddie Mac Mortgage Participation Certificates, which may be:

- "Gold PCs," for which the period from the first day of their month of issuance to their initial Payment Date is approximately 45 days;
- "Original PCs," for which the period from the first day of their month of issuance to their initial Payment Date is approximately 75 days; or
- "ARM PCs," which are Freddie Mac Adjustable Rate Mortgage Participation Certificates.

(ii) Freddie Mac Giant Mortgage Participation Certificates, which may be:

- "Gold Giant PCs," which represent beneficial ownership interests in discrete pools consisting of specified Gold PCs and, in some cases, other Gold Giant PCs;
- "Original Giant PCs," which represent beneficial ownership interests in discrete pools consisting of specified Original PCs and, in some cases, other Original Giant PCs; or
- "ARM Giant PCs," which represent beneficial ownership interests in discrete pools consisting of specified ARM PCs.

The following diagrams illustrate the structures for typical Single-Tier and Double-Tier Series. Any particular Series may have a different structure, as described in the related Supplement.



#### Class Factors

On or about the first (or, if so provided in the related Supplement, the seventh) business day of each month, Freddie Mac will publish the Class Factor for each Class of outstanding Multiclass PCs having a principal amount. The Class Factor for any month will be a truncated seven-digit decimal which, when multiplied by the original principal amount of that Class, will equal its remaining principal amount, after giving effect to any payment of (or addition to) principal to be made on the Payment Date in the following month or, in the case of a Series backed by Gold PCs or Gold Giant PCs, in the same month. Freddie Mac will also publish a Class Factor for each Interest Only Class having a notional principal amount. Such a Class Factor will reflect the remaining notional principal amount of the Interest Only Class in an analogous manner.

#### Payments of Interest

Unless otherwise provided in the related Supplement, interest will accrue on each Regular Class during each applicable Accrual Period at the applicable Class Coupon specified in or determined as specified in that Supplement. Interest will be calculated on the basis of a 360-day year of twelve 30-day months. Interest on a Class other than an Accrual Class will be paid on the Payment Dates specified in the related Supplement. Interest accrued on an Accrual Class will be payable only to the extent provided in the related Supplement, and the amount of any interest accrued and not paid will be added to the principal amount of that Class. Any accrued interest so added will accrue interest.

Unless otherwise provided in the related Supplement, interest in respect of each Residual Class will be paid on each Payment Date either (i) at the applicable Class Coupon or (ii) in an amount equal to the amount received as interest payments on the PCs or other securities in the related REMIC Pool on that Payment Date, less the aggregate amount of interest payable on (or added to the principal amount of) the related Regular Classes on that Payment Date.

Unless otherwise provided in the applicable Supplement, the Accrual Period relating to any Payment Date will be:

- for Fixed Rate and Delay Classes in a Series backed by Gold PCs and/or Gold Giant PCs, the calendar month preceding the month of the Payment Date;
- for Fixed Rate and Delay Classes in a Series backed by PCs other than Gold PCs and/or Gold Giant PCs, the period from the 15th of the second month preceding the month of the Payment Date to the 15th of the month preceding the month of the Payment Date; or
- for Floating Rate and Inverse Floating Rate Classes that are not Delay Classes, the period from the 15th of the month preceding the month of the Payment Date to the 15th of the month of the Payment Date.

### Interest Rate Indices

Unless otherwise provided in the related Supplement, each Floating Rate and Inverse Floating Rate Class will bear interest during each Accrual Period for such Class by reference to one of the following indices: (i) "LIBOR," the arithmetic mean of the London interbank offered quotations for Eurodollar deposits with a maturity of one month, three months, one year or some other maturity, as specified in the related Supplement; (ii) "COFI," the weighted average cost of funds for member savings institutions of the Eleventh Federal Home Loan Bank District; (iii) a "Treasury Index," the auction average (investment) yield on three-month or six-month U.S. Treasury bills or the weekly average yield on U.S. Treasury securities adjusted to a constant maturity of one, three, five, seven, ten or thirty years or to some other constant maturity, in each case as specified in the related Supplement; or (iv) the "Prime Rate," the prime lending rate of major banks as published in *The Wall Street Journal*. Classes bearing interest by reference to these indices are called "LIBOR Classes," "COFI Classes," "Treasury Index Classes" and "Prime Rate Classes," respectively.

Absent manifest error, Freddie Mac's determination of the applicable interest rate index levels and its calculation of the Class Coupons of the Floating Rate and Inverse Floating Rate Classes for each Accrual Period will be final and binding. Investors can get the rates for the current and preceding Accrual Periods by writing or calling Freddie Mac's Investor Inquiry Department at the address or phone numbers shown on page 7.

#### *Determination of LIBOR*

Unless otherwise provided in the applicable Supplement, Freddie Mac will calculate the Class Coupons of LIBOR Classes for each Accrual Period (after the first) on the second business day before the Accrual Period begins (a "Floating Rate Adjustment Date"). On each Floating Rate Adjustment Date, Freddie Mac will determine the applicable LIBOR on the basis of the offered quotations of the Reference Banks (as defined below), as such quotations are provided to Freddie Mac as of 11:00 a.m. (London time) on such Floating Rate Adjustment Date. For this purpose, "business day" means a day on which banks are open for dealing in foreign currency and exchange in London, New York City and Washington, D.C.; "Reference Banks" means four leading banks engaged in transactions in Eurodollar deposits in the international Eurocurrency market (i) with an established place of business in London, (ii) whose quotations appear on the Reuters Screen LIBO Page on the Floating Rate Adjustment Date in question and (iii) which have been designated as such by Freddie Mac and are able and willing to provide such quotations to Freddie Mac on each Floating Rate Adjustment Date; and "Reuters Screen LIBO Page" means the display designated as page "LIBO" on the Reuters Monitor Money Rates Service (or such other page as may replace the LIBO page on that service for the purpose of displaying London interbank offered quotations of major banks). If any Reference Bank designated by Freddie Mac should be removed from the Reuters Screen LIBO Page or in any other way fails to meet the qualifications of a Reference Bank, Freddie Mac may, in its sole discretion, designate an alternative Reference Bank.

On each Floating Rate Adjustment Date, Freddie Mac will determine LIBOR for the next Accrual Period as follows:

(i) If on any Floating Rate Adjustment Date two or more of the Reference Banks provide offered quotations of the applicable maturity, LIBOR for the next Accrual Period will be the arithmetic mean of such offered quotations (rounding such arithmetic mean upwards, if necessary, to the nearest whole multiple of 1/16%).

(ii) If on any Floating Rate Adjustment Date only one or none of the Reference Banks provides such offered quotations, LIBOR for the next Accrual Period will be whichever is the higher of (x) LIBOR as determined on the previous Floating Rate Adjustment Date or (y) the Reserve Interest Rate. The "Reserve Interest Rate" will be the rate per annum which Freddie Mac determines to be either (A) the arithmetic mean (rounding such arithmetic mean upwards, if necessary, to the nearest whole multiple of 1/16%) of the Eurodollar lending rates of the applicable maturity that the New York City banks selected by Freddie Mac are quoting, on the relevant Floating Rate Adjustment Date, to the principal London offices of leading banks in the London interbank market or (B) in the event that Freddie Mac can determine no such arithmetic mean, the lowest Eurodollar lending rate of the applicable maturity that the New York City banks selected by Freddie Mac are quoting on such Floating Rate Adjustment Date to leading European banks.

(iii) If on any Floating Rate Adjustment Date Freddie Mac is required but is unable to determine the Reserve Interest Rate in the manner provided in paragraph (ii) above, LIBOR for the next Accrual Period will be LIBOR as determined on the previous Floating Rate Adjustment Date, or, in the case of the first Floating Rate Adjustment Date, the level of LIBOR used to calculate the initial Class Coupon of the particular LIBOR Class.

Tables 1 through 3 below show historical values for One-Month, Three-Month and One-Year LIBOR, respectively, as published in *The Wall Street Journal* on the first business day of each month for the period indicated. The Tables do not purport to be representative of subsequent levels of LIBOR or of LIBOR determined as described above. No assurance can be given as to any subsequent levels.

Table 1

Historical Values of One-Month LIBOR

Month	1989	1990	1991	1992	1993	1994
January	9.1875%	8.5000%	7.6250%	4.3125%	3.3125%	3.2500%
February	9.2500	8.3125	6.9375	4.1875	3.1250	3.1250
March	10.0625	8.3750	7.0000	4.2500	3.1875	3.5625
April	10.0625	8.3750	6.3750	4.2500	3.1875	
May	9.8750	8.2500	6.0625	3.9375	3.1250	
June	9.6875	8.3125	5.9375	4.0000	3.2500	
July	9.4375	8.3125	6.0625	3.9375	3.1875	
August	8.6875	8.0000	5.9375	3.3750	3.1875	
September	9.0000	8.0625	5.4375	3.5000	3.1875	
October	9.1250	8.2500	5.1250	3.1875	3.1875	
November	8.7500	7.9375	5.1875	3.2500	3.1875	
December	8.8125	8.8750	4.3125	4.2500	3.5625	

Table 2

## Historical Values of Three-Month LIBOR

<u>Month</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
January .....	9.3125%	8.3750%	7.5625%	4.1875%	3.4375%	3.3750%
February .....	9.3750	8.3750	7.0625	4.2500	3.2500	3.2500
March .....	10.3125	8.3750	6.8750	4.2500	3.2500	3.7500
April .....	10.3125	8.5000	6.3750	4.3750	3.2500	
May .....	9.9375	8.6875	6.1875	4.0625	3.1875	
June .....	9.5625	8.3750	6.0625	4.0625	3.3750	
July .....	9.3125	8.3750	6.1875	3.9375	3.3125	
August .....	8.6250	7.9375	6.0625	3.4375	3.3125	
September .....	9.0000	8.0625	5.6875	3.5000	3.2500	
October .....	9.1875	8.3125	5.6250	3.2500	3.3750	
November .....	8.6875	8.0625	5.2500	3.5625	3.4375	
December .....	8.5000	8.4375	5.0000	4.0000	3.5000	

Table 3

## Historical Values of One-Year LIBOR

<u>Month</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
January .....	9.6250%	8.2500%	7.5625%	4.3125%	4.0625%	3.8125%
February .....	9.7500	8.6875	7.2500	4.6875	3.6875	3.6875
March .....	10.7500	8.6875	7.0625	4.7500	3.6250	4.3125
April .....	11.0625	8.9375	7.0000	5.0625	3.6250	
May .....	10.0625	9.2500	6.7500	4.6875	3.5000	
June .....	9.5000	8.7500	6.6250	4.6250	3.8750	
July .....	9.0000	8.4375	7.0000	4.3125	3.7500	
August .....	8.2500	8.0000	6.6250	3.8750	3.7500	
September .....	8.9375	8.2500	6.0625	3.7500	3.5625	
October .....	9.0625	8.4375	5.7500	3.7500	3.5625	
November .....	8.4375	8.1250	5.3750	3.8750	3.6250	
December .....	8.2500	8.1250	5.0000	4.3125	3.8125	

*Determination of COFI*

Unless otherwise provided in the applicable Supplement, Freddie Mac will calculate the Class Coupons of COFI Classes for each Accrual Period (after the first) on the related Floating Rate Adjustment Date (for Classes that are not also Delay Classes) or on the second business day of such Accrual Period (for Delay Classes), by reference to COFI as published most recently by the Federal Home Loan Bank of San Francisco (the "FHLB of San Francisco"). COFI is currently published by the FHLB of San Francisco on or about its last working day of each month and is designed to represent the monthly weighted average cost of funds for savings institutions in the Eleventh District (which consists of Arizona, California and Nevada) for the month prior to the month of publication. COFI is computed by the FHLB of San Francisco for each month by dividing the cost of funds (interest paid during the month by Eleventh District savings institutions on savings, advances and other borrowings) by the average of the total amount of these funds outstanding at the end of that month and the prior month and annualizing and adjusting the result to reflect the actual number of days in the particular month. If necessary, before these calculations are made, the FHLB of San Francisco adjusts the component figures to neutralize the effect of events such as member institutions leaving the Eleventh District or acquiring institutions outside the Eleventh District. COFI has been reported each month since August 1981.

COFI is intended to reflect the interest costs paid on all types of funds held by Eleventh District member savings associations and savings banks. COFI is weighted to reflect the relative amount of each



type of funds held at the end of the relevant month. There are three major components of funds of Eleventh District member institutions: (i) savings deposits, (ii) Federal Home Loan Bank advances and (iii) all other borrowings, such as reverse repurchase agreements and mortgage-backed bonds. Unlike most other interest rate measures, COFI does not necessarily reflect current market rates, since the component funds represent a variety of terms to maturity whose costs may react in different ways to changing conditions. The FHLB of San Francisco periodically prepares percentage breakdowns of the types of funds held by Eleventh District member institutions. Such breakdowns can be obtained from the FHLB of San Francisco.

A number of factors affect the performance of COFI which may cause it to move in a manner different from indices tied to specific interest rates, such as LIBOR or any Treasury Index. Because of the various terms to maturity of the liabilities upon which COFI is based, COFI may not necessarily reflect the average prevailing market interest rates on new liabilities of similar maturities. Additionally, COFI may not necessarily move in the same direction as market interest rates at all times, since as longer term deposits or borrowings mature and are renewed at prevailing market interest rates, COFI is influenced by the differential between the prior and the new rates on those deposits or borrowings. Moreover, as stated above, COFI is designed to represent the average cost of funds for Eleventh District savings institutions for the month prior to the month in which COFI is published. Because COFI is based on a regional and not a national cost of funds, it may not behave as would a nationally based index. In addition, the movement of COFI, as compared to other indices tied to specific interest rates, may be affected by changes instituted by the FHLB of San Francisco in the method used to calculate COFI. Investors can order an informational brochure explaining COFI by writing or calling the FHLB of San Francisco's Marketing Department, P.O. Box 7948, San Francisco, California 94120, phone 415/616-2610. The current level of COFI can be obtained by calling the FHLB of San Francisco at 415/616-2600.

Table 4 below shows historical values for COFI as published for each month for the period indicated. Table 4 does not purport to be representative of subsequent levels of COFI. No assurance can be given as to any subsequent levels.

**Table 4**  
**Historical Values of COFI**

<u>Month to which COFI applies</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
January .....	8.125%	8.369%	7.858%	6.002%	4.360%	3.710%
February .....	8.346	8.403	7.848	5.800	4.333	
March .....	8.423	8.258	7.654	5.611	4.245	
April .....	8.648	8.211	7.501	5.427	4.171	
May .....	8.797	8.171	7.329	5.290	4.103	
June .....	8.923	8.086	7.155	5.258	4.050	
July .....	8.844	8.109	6.998	5.069	3.998	
August .....	8.763	8.075	6.845	4.874	3.958	
September .....	8.807	8.091	6.714	4.805	3.881	
October .....	8.643	8.050	6.566	4.597	3.823	
November .....	8.595	8.044	6.414	4.508	3.822	
December .....	8.476	7.963	6.245	4.432	3.879	

The failure by the FHLB of San Francisco to publish COFI for a period of 65 calendar days will constitute an "Alternative Rate Event." Upon the occurrence of an Alternative Rate Event, Freddie Mac will calculate the Class Coupons of the COFI Classes for the subsequent Accrual Periods by using, in place of COFI, (i) the replacement index, if any, published or designated by the FHLB of San Francisco or (ii) if no replacement index is so published or designated, an alternative index selected by Freddie Mac that has performed, or that Freddie Mac expects to perform, in a manner substantially similar to COFI. At the time an alternative index is first selected by Freddie Mac, Freddie Mac will

determine the average number of basis points, if any, by which the alternative index differed from COFI for such period as Freddie Mac, in its sole discretion, reasonably determines to reflect fairly the long-term difference between COFI and the alternative index, and will adjust the alternative index by such average. Freddie Mac will select a particular index as the alternative index only if it receives an opinion of counsel that the selection of such index will not cause the related REMIC Pool or Pools to lose their classification as REMICs for federal income tax purposes.

If at any time after the occurrence of an Alternative Rate Event, the FHLB of San Francisco resumes publication of COFI, the Class Coupons of the COFI Classes for each subsequent Accrual Period will be calculated by reference to COFI.

#### *Determination of the Treasury Index*

Unless otherwise provided in the applicable Supplement, Freddie Mac will calculate the Class Coupons of Treasury Index Classes for each Accrual Period (after the first) on the fourth Business Day before the Accrual Period begins (an "Index Adjustment Date"). On each Index Adjustment Date, Freddie Mac will determine the applicable Treasury Index, which will be either (i) the auction average (investment) yield, expressed as a per annum rate, on three-month or six-month U.S. Treasury bills or (ii) the weekly average yield, expressed as a per annum rate, on U.S. Treasury securities adjusted to a constant maturity of one, three, five, seven or ten years or to some other constant maturity (as specified in the applicable Supplement), in each case as published by the Federal Reserve Board in the most recent edition of Federal Reserve Board Statistical Release No. H.15 (519) that is available to Freddie Mac. Statistical Release No. H.15 (519) is published on Monday or Tuesday of each week. Investors can order it from the Publications Department at the Board of Governors of the Federal Reserve System, 21st and C Streets, N.W., M.S. 138, Washington, D.C. 20551. Freddie Mac considers a new value for the Treasury Index to have been made available on the day following the date it is released by the Federal Reserve Board.

The applicable auction average (investment) yield for a given week is the yield resulting from the auction of three-month or six-month U.S. Treasury bills held the preceding week.

The weekly average yield reflects the average yields of the five calendar days ending on Friday of the previous week. Yields on Treasury securities at "constant maturity" are estimated from the Treasury's daily yield curve. This curve, which relates the yield on a security to its time to maturity, is based on the closing market bid yields on actively traded Treasury securities in the over-the-counter market. These market yields are calculated from composites of quotations reported by five leading U.S. Government securities dealers to the Federal Reserve Bank of New York. This method permits estimation of the yield for a given maturity even if no security with that exact maturity is outstanding.

In the event that the applicable Treasury Index becomes unavailable, Freddie Mac will designate a new index based upon comparable information and methodology. Freddie Mac will select a particular index as the alternative index only if it receives an opinion of counsel that the selection of such alternative index will not cause the related REMIC Pool or Pools to lose their classification as REMICs for federal income tax purposes.

If at any time after the applicable Treasury Index becomes unavailable, it again becomes available, the Class Coupons for the related Treasury Index Classes for each subsequent Accrual Period will be calculated by reference to the applicable Treasury Index.

Tables 5 through 12 below show historical values for the Three-Month, Six-Month, One-Year, Three-Year, Five-Year, Seven-Year, Ten-Year and Thirty-Year Treasury Indices, respectively, for the period indicated. The figure shown in each Table for each month represents the value of the applicable Treasury Index for the week ending on the last Friday of that month. The Tables do not purport to be representative of subsequent levels of the Treasury Indices. No assurance can be given as to any subsequent levels.

**Table 5**

**Historical Values of the Three-Month Treasury Index**

<u>Month</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
January .....	8.55%	7.92%	6.32%	3.94%	3.04%	3.02%
February .....	8.82	8.07	6.11	4.07	3.02	3.33
March .....	9.44	8.12	6.05	4.18	3.00	
April .....	8.98	8.05	5.87	3.78	2.94	
May .....	8.62	8.00	5.63	3.84	3.12	
June .....	8.35	8.05	5.75	3.76	3.17	
July .....	8.37	7.74	5.78	3.25	3.17	
August .....	8.27	7.74	5.57	3.21	3.09	
September .....	7.98	7.56	5.33	2.97	2.99	
October .....	7.77	7.44	5.19	3.04	3.15	
November .....	7.86	7.24	4.56	3.34	3.21	
December .....	8.04	6.72	3.85	3.23	3.12	

**Table 6**

**Historical Values of the Six-Month Treasury Index**

<u>Month</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
January .....	8.79%	7.99%	6.50%	4.08%	3.18%	3.23%
February .....	9.00	8.20	6.18	4.24	3.15	3.53
March .....	9.69	8.26	6.12	4.43	3.14	
April .....	9.25	8.35	6.06	3.99	3.04	
May .....	8.82	8.22	5.91	4.03	3.29	
June .....	8.21	8.09	6.03	3.90	3.29	
July .....	8.16	7.79	5.99	3.37	3.34	
August .....	8.29	7.88	5.72	3.34	3.21	
September .....	8.22	7.72	5.46	3.01	3.15	
October .....	7.90	7.53	5.33	3.32	3.29	
November .....	7.79	7.31	4.68	3.56	3.40	
December .....	8.06	6.89	3.99	3.42	3.31	



Table 7

## Historical Values of the One-Year Treasury Index

<u>Month</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
January .....	8.97%	8.01%	6.58%	4.23%	3.41%	3.51%
February .....	9.41	8.19	6.30	4.41	3.31	4.01
March .....	9.71	8.34	6.34	4.64	3.30	
April .....	9.22	8.57	6.25	4.32	3.25	
May .....	8.86	8.22	6.13	4.27	3.55	
June .....	8.28	8.13	6.36	4.14	3.53	
July .....	7.86	7.85	6.29	3.57	3.57	
August .....	8.36	7.85	5.74	3.52	3.37	
September .....	8.38	7.79	5.50	3.16	3.39	
October .....	7.81	7.50	5.39	3.50	3.46	
November .....	7.64	7.30	4.74	3.76	3.61	
December .....	7.80	6.95	4.17	3.64	3.61	

Table 8

## Historical Values of the Three-Year Treasury Index

<u>Month</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
January .....	9.11%	8.28%	7.35%	5.65%	4.78%	4.44%
February .....	9.42	8.49	7.12	5.86	4.38	5.03
March .....	9.74	8.63	7.36	6.26	4.39	
April .....	9.26	9.02	7.25	6.02	4.30	
May .....	8.82	8.58	7.07	5.83	4.60	
June .....	8.20	8.42	7.42	5.49	4.50	
July .....	7.77	8.21	7.35	4.80	4.54	
August .....	8.33	8.33	6.70	4.79	4.22	
September .....	8.42	8.33	6.38	4.44	4.22	
October .....	7.86	7.99	6.30	4.93	4.28	
November .....	7.69	7.68	5.81	5.24	4.56	
December .....	7.90	7.49	5.17	5.14	4.53	

Table 9

## Historical Values of the Five-Year Treasury Index

<u>Month</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
January .....	9.04%	8.27%	7.66%	6.41%	5.66%	5.05%
February .....	9.43	8.53	7.51	6.70	5.21	5.60
March .....	9.61	8.57	7.79	7.00	5.20	
April .....	9.16	9.01	7.74	6.89	5.14	
May .....	8.73	8.64	7.66	6.70	5.36	
June .....	8.13	8.45	7.96	6.40	5.18	
July .....	7.75	8.30	7.87	5.70	5.21	
August .....	8.26	8.56	7.35	5.69	4.87	
September .....	8.32	8.58	7.04	5.46	4.80	
October .....	7.83	8.24	6.96	5.85	4.82	
November .....	7.75	7.93	6.54	6.12	5.13	
December .....	7.88	7.79	6.00	6.03	5.14	

Table 10

## Historical Values of the Seven-Year Treasury Index

<u>Month</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
January .....	9.02%	8.33%	7.92%	6.88%	6.08%	5.38%
February .....	9.38	8.60	7.76	7.04	5.64	5.94
March .....	9.47	8.62	8.01	7.29	5.67	
April .....	9.13	9.04	7.96	7.24	5.60	
May .....	8.67	8.70	7.92	7.07	5.78	
June .....	8.16	8.55	8.20	6.82	5.56	
July .....	7.86	8.43	8.11	6.17	5.56	
August .....	8.27	8.79	7.68	6.23	5.18	
September .....	8.37	8.85	7.37	6.04	5.16	
October .....	7.90	8.50	7.34	6.34	5.19	
November .....	7.81	8.20	7.03	6.52	5.54	
December .....	7.99	8.08	6.51	6.39	5.47	

Table 11

## Historical Values of the Ten-Year Treasury Index

<u>Month</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
January .....	8.97%	8.36%	8.04%	7.25%	6.46%	5.74%
February .....	9.31	8.58	7.86	7.37	6.02	6.15
March .....	9.37	8.56	8.10	7.56	5.98	
April .....	9.09	9.02	8.09	7.58	6.01	
May .....	8.63	8.66	8.06	7.40	6.14	
June .....	8.14	8.51	8.31	7.20	5.89	
July .....	7.97	8.48	8.25	6.67	5.88	
August .....	8.23	8.88	7.84	6.67	5.51	
September .....	8.31	8.96	7.55	6.47	5.44	
October .....	7.89	8.64	7.66	6.78	5.44	
November .....	7.83	8.29	7.42	6.86	5.83	
December .....	7.93	8.15	6.86	6.68	5.77	

Table 12

## Historical Values of the Thirty-Year Treasury Index

<u>Month</u>	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
January .....	8.81%	8.40%	8.22%	7.74%	7.23%	6.29%
February .....	9.13	8.61	8.03	7.88	6.89	6.68
March .....	9.17	8.53	8.28	7.97	6.83	
April .....	8.95	9.00	8.25	8.04	6.89	
May .....	8.63	8.63	8.26	7.89	6.97	
June .....	8.10	8.49	8.49	7.82	6.76	
July .....	8.08	8.54	8.43	7.46	6.63	
August .....	8.19	9.00	8.08	7.44	6.16	
September .....	8.26	9.10	7.88	7.41	6.09	
October .....	7.91	8.77	8.07	7.63	5.99	
November .....	7.90	8.44	7.96	7.56	6.31	
December .....	7.98	8.31	7.52	7.36	6.28	

*Determination of the Prime Rate*

Unless otherwise provided in the applicable Supplement, on each Floating Rate Adjustment Date, Freddie Mac will calculate the Class Coupons of Prime Rate Classes for the next Accrual Period by reference to the rate published as the "Prime Rate" in the "Money Rates" section or other comparable section of *The Wall Street Journal* on such Floating Rate Adjustment Date. The rate published in *The Wall Street Journal* currently represents the rate posted by 75% of the 30 largest commercial banks in the United States. In the event 75% of the largest banks do not post the same rate, and *The Wall Street Journal* publishes a prime rate range, then the average of that range, as determined by Freddie Mac, will be the Prime Rate. In the event *The Wall Street Journal* no longer publishes a "Prime Rate" entry, Freddie Mac will designate a new methodology for determining the Prime Rate based on comparable data. Freddie Mac will select a particular methodology as the alternative methodology only if it receives an opinion of counsel that the selection of such methodology will not cause the related REMIC Pool or Pools to lose their classification as REMICs for federal income tax purposes.

If at any time after the Prime Rate becomes unavailable in *The Wall Street Journal*, it again becomes available, the Class Coupons for the Prime Rate Classes for each subsequent Accrual Period will be calculated by reference to the Prime Rate published in *The Wall Street Journal*.

Table 13 below shows historical values for the Prime Rate as published in *The Wall Street Journal* on the first business day of each month for the period indicated. Table 13 does not purport to be representative of subsequent levels of the Prime Rate. No assurance can be given as to any subsequent levels.

Table 13

Historical Values of the Prime Rate

	<u>1989</u>	<u>1990</u>	<u>1991</u>	<u>1992</u>	<u>1993</u>	<u>1994</u>
January .....	10.50%	10.50%	9.50 - 10.00%	6.50%	6.00%	6.00%
February .....	10.50	10.00	9.50	6.50	6.00	6.00
March .....	11.50	10.00	8.75 - 9.00	6.50	6.00	6.00
April .....	11.50	10.00	8.75 - 9.00	6.50	6.00	6.00
May .....	11.50	10.00	9.00	6.50	6.00	
June .....	11.50	10.00	8.50	6.50	6.00	
July .....	11.00	10.00	8.50	6.50	6.00	
August .....	10.50	10.00	8.50	6.00	6.00	
September .....	10.50	10.00	8.50	6.00	6.00	
October .....	10.50	10.00	8.00	6.00	6.00	
November .....	10.50	10.00	8.00	6.00	6.00	
December .....	10.50	10.00	7.50	6.00	6.00	

**Payments of Principal**

On each Payment Date for a Series of Multiclass PCs, Freddie Mac will pay principal in the manner described in the related Supplement to the Holders of each Class on which principal is then due.

Unless otherwise provided in the related Supplement, the total amount of principal required to be paid on the Classes of any Series on a Payment Date will equal the sum of (i) the interest, if any, that has accrued on any Accrual Classes of that Series during the applicable interest accrual period and that is not payable as interest on such Payment Date and (ii) the amount of principal payments required to be made on that Payment Date on the underlying PCs.

Subject to any allocation procedures that may apply in the case of Retail Classes, the Holders of Multiclass PCs of any Class entitled to receive principal payments on any Payment Date will receive such payments on a pro rata basis.

### **Residual Classes**

Holders of each Residual Class will be entitled to receive (i) on each Payment Date, any payments of principal and interest specified in the related Supplement and (ii) the proceeds of the remaining assets, if any, of the related REMIC Pool after the principal amounts of all Classes issued in respect of such REMIC Pool have been paid in full.

Residual Classes will be subject to certain transfer restrictions, including certain restrictions on the ownership of such Classes by foreign persons. See "Certain Federal Income Tax Consequences — Transfers of Interests in a Residual Class."

Freddie Mac will furnish Holders of Residual Classes the information it deems necessary or appropriate to enable them to prepare any reports required under the Internal Revenue Code or applicable Treasury regulations. Freddie Mac does not intend to hold any Residual Class for its account, and applicable law may not permit Freddie Mac to perform tax administrative functions for the REMIC Pools. Accordingly, the Holders of a Residual Class may have certain tax administrative obligations (for which Freddie Mac will act as attorney-in-fact and agent). See "Certain Federal Income Tax Consequences."

### **Guarantees**

Freddie Mac guarantees to each Holder of a Multiclass PC (i) the timely payment of interest at the applicable Class Coupon or as otherwise described in the applicable Supplement and (ii) the payment of the principal amount of the Holder's Multiclass PC, as described in the applicable Supplement.

Freddie Mac also guarantees the payment of interest and principal on all PCs, as follows:

*Gold PCs:* Freddie Mac guarantees to each holder the timely payment of (i) interest at the applicable PC interest rate on the principal balance of the holder's Gold PC, reflecting the holder's pro rata share of the principal balance of the related Mortgages on Freddie Mac's records, as calculated by Freddie Mac under the "Pool Factor Method" described in the applicable PC Offering Circular and (ii) the "Monthly Principal Reduction" (as defined in the applicable PC Offering Circular) due on such Mortgages as calculated by Freddie Mac (subject to applicable adjustments), to the extent of such holder's pro rata share of the principal balance of such Mortgages. Freddie Mac also guarantees to each holder of a Gold PC the ultimate collection of all principal of the related Mortgages, without offset or deduction, not later than the Payment Date in the month of the Final Payment Date of such Gold PC. See the discussion of Freddie Mac's guarantees of Gold PCs in the applicable PC Offering Circular.

*Original PCs and ARM PCs:* Freddie Mac guarantees to each holder the timely payment of interest at the applicable PC interest rate on the principal balance of the holder's PC, reflecting the holder's pro rata share of the principal balance of the related Mortgages on Freddie Mac's records, as calculated by Freddie Mac under the Pool Factor Method. Freddie Mac also guarantees to each such holder the ultimate collection of all principal of the related Mortgages, without offset or deduction. With respect to certain Original PCs, in addition to Freddie Mac's other guarantees, Freddie Mac guarantees to each Holder the timely payment of monthly principal scheduled to be paid under the amortization schedule applicable to each Mortgage, as reported by the servicer; few, if any, such Original PCs are expected to be included in any REMIC Pool.

*Gold Giant PCs, Original Giant PCs and ARM Giant PCs:* Freddie Mac guarantees to each holder (i) the timely payment of interest at the applicable Giant PC interest rate, (ii) the payment of the principal amount of such Gold Giant PC, Original Giant PC or ARM Giant PC as payments are made on the underlying PCs and (iii) in the case of a Gold Giant PC, the reduction of the entire principal amount outstanding by the Payment Date occurring in the month of the Final Payment Date of such Gold Giant PC. See the discussion of Freddie Mac's guarantees in the Giant PC Offering Circular.

Currently, Freddie Mac may pay the amount due on account of its guarantee of ultimate collection of principal on Gold PCs, Original PCs or ARM PCs at any time after default on an underlying Mortgage, but not later than 30 days after the latest of: (i) foreclosure sale of the mortgaged property, (ii) if applicable, payment of an insurance claim by the Federal Housing Administration or other Mortgage insurer or payment of a guaranty claim by the Department of Veterans Affairs or other Mortgage guarantor or (iii) the expiration of any right of redemption that the borrower may have; and in no event later than one year after an outstanding demand has been made upon the borrower for accelerated payment of principal or for payment of the principal due at maturity. See the discussion of Freddie Mac's guarantees in the applicable PC Offering Circular.

**THE OBLIGATIONS OF FREDDIE MAC UNDER ITS GUARANTEES OF MULTICLASS PCs AND PCs ARE OBLIGATIONS OF FREDDIE MAC ONLY. MULTICLASS PCs AND PCs, INCLUDING ANY INTEREST THEREON, ARE NOT GUARANTEED BY THE UNITED STATES AND DO NOT CONSTITUTE DEBTS OR OBLIGATIONS OF THE UNITED STATES OR ANY AGENCY OR INSTRUMENTALITY OF THE UNITED STATES OTHER THAN FREDDIE MAC.**

### **Optional Redemption**

Unless otherwise provided in the applicable Supplement, Freddie Mac may at its option redeem the outstanding Classes of each Series (or, in the case of a Double-Tier Series, the outstanding Lower-Tier Classes) in whole, but not in part, on any Payment Date when the aggregate outstanding principal amount of such Classes, after giving effect to principal payments to be made on such Payment Date, would be less than 1% of the aggregate original principal amount of such Classes. Freddie Mac will give notice of any optional redemption to the Holders of outstanding Classes of Multiclass PCs not less than 30 or more than 60 days before the date of redemption. Any optional redemption will be at a redemption price equal to 100% of the unpaid principal amount of the Classes redeemed, plus accrued and unpaid interest for the Accrual Period relating to the applicable Payment Date.

In order to effect an optional redemption, Freddie Mac will adopt a plan of complete liquidation meeting the requirements of a "qualified liquidation" under Section 860F(a)(4) of the Internal Revenue Code. Pursuant to the plan, Freddie Mac will liquidate all of the PCs in the REMIC Pool (or, in the case of a Double-Tier Series, the Lower-Tier REMIC Pool) at fair market value as determined by Freddie Mac, and apply the net proceeds of liquidation (together with funds contributed by Freddie Mac if the net proceeds are insufficient) to pay the redemption price. Upon any redemption of Lower-Tier Classes in a Double-Tier Series, the redemption price of the Mortgage Securities will be applied as principal and interest on the outstanding Upper-Tier Classes, resulting in the retirement of those Classes. Following any redemption, any remaining proceeds from the liquidation of the PCs in the REMIC Pool (or, in the case of a Double-Tier Series, the Lower-Tier REMIC Pool), net of liquidation expenses, will be distributed pro rata to the Holders of the related Residual Class upon surrender of their certificates to the Registrar.

All decisions as to the making of an optional redemption, including the timing of any optional redemption, will be at Freddie Mac's sole discretion. Freddie Mac will be under no obligation to any Holder to make an optional redemption, even if redemption would be in the Holder's interest. PCs are not subject to redemption by Freddie Mac.

### **Prepayment Considerations**

The rate of principal payments on the PCs underlying each Series of Multiclass PCs, and therefore of payments on such Multiclass PCs, will depend primarily on the rate 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 and payments made by Freddie Mac pursuant to its guarantee of ultimate collection of principal on the PCs). The Mortgages are subject to prepayment at any time without penalty. In general, when prevailing mortgage interest rates decline significantly below the interest rates on the underlying Mortgages, the prepayment rate on the Mortgages is likely to increase, although a number of other factors also may influence the prepayment rate. See the discussions of prepayment behavior in the applicable PC and Giant PC Offering Circulars.



Acceleration of mortgage payments as a result of transfers of mortgaged properties is an important factor affecting prepayment rates. The Mortgages underlying PCs (other than ARM PCs and ARM Giant PCs) generally provide that, in the event of the transfer or prospective transfer of the underlying mortgaged property, the full unpaid principal balance is due and payable at the option of the holder. Freddie Mac, in most cases, requires mortgage servicers to enforce such "due-on-transfer" provisions where permitted by applicable law. Unless otherwise stated in the applicable PC or Giant PC Offering Circular, all of the Mortgages underlying ARM PCs and ARM Giant PCs provide by their terms that, in the event of the transfer of the underlying mortgaged property, such Mortgages are assumable by a creditworthy transferee. If, however, a "due-on-transfer" provision can be exercised under the terms of such a Mortgage, Freddie Mac requires servicers to enforce that provision. See the discussion of mortgage purchase and servicing standards and, in particular, the discussion of assumption and due-on-transfer policies in the applicable PC Offering Circular.

#### **Final Payment Dates and Weighted Average Lives**

The Final Payment Date for each Class in a Series is the latest date by which it will be retired. Freddie Mac will calculate each Final Payment Date on the basis of highly conservative assumptions, and the actual retirement of any Class may occur earlier than its Final Payment Date.

The weighted average life of a security refers to the average amount of time that will elapse from the date of its issuance until each dollar of principal has been repaid to the investor. The weighted average lives of the Classes of each Series will depend primarily on the rate at which principal is paid on the underlying Mortgages. The Supplement for each Series of Multiclass PCs will contain a table showing, for each Class having a principal amount, (i) the percentages of their original principal amounts that would be outstanding after specified Payment Dates and (ii) their corresponding weighted average lives. Freddie Mac will prepare this table based on assumptions specified in such Supplement. Unless otherwise provided in the applicable Supplement, Freddie Mac will calculate the weighted average life by (a) multiplying the assumed net reduction, if any, of the principal amount on each Payment Date by the number of years from the date of issuance to such Payment Date, (b) summing the results and (c) dividing the sum by the aggregate amount of the assumed net reductions in principal amount.

### **THE MULTICLASS PC AGREEMENT**

The following summary describes certain provisions of the Multiclass PC Agreement not otherwise summarized in this Offering Circular. This summary does not purport to be complete and is subject to, and qualified in its entirety by reference to, the more complete provisions of the Multiclass PC Agreement and any applicable PC Agreement or Giant PC Agreement. The receipt and acceptance of a Multiclass PC by or on behalf of a Holder, without any signature or further manifestation of assent, constitutes the unconditional acceptance by the Holder and all others having a beneficial interest in such Multiclass PC of all the terms and provisions of the Multiclass PC Agreement (including the related Terms Supplement), and the agreement of Freddie Mac, such Holder and such others that those terms and provisions will be binding, operative and effective among Freddie Mac, such Holder and such others. The sale of a Multiclass PC by Freddie Mac pursuant to the Multiclass PC Agreement constitutes the sale, transfer and assignment by Freddie Mac to the Holder of a beneficial ownership interest in the related REMIC Pool.

#### **Transfer of Assets to REMIC Pool**

The assets in each REMIC Pool will be identified to that Pool. The PCs in any REMIC Pool will be held in Freddie Mac's name on the books of a Federal Reserve Bank. Other assets will be held by Freddie Mac or its custodian or other agent for the benefit of the Holders of each related Series of Multiclass PCs pursuant to the Multiclass PC Agreement. Freddie Mac has the limited right to substitute PCs for PCs of the same type originally placed in a REMIC Pool.

### **Certain Matters Regarding Freddie Mac**

The Multiclass PC Agreement provides that neither Freddie Mac nor any director, officer, employee or agent of Freddie Mac will be under any liability to the Holders for any action taken, or for refraining from the taking of any action, in good faith pursuant to the Multiclass PC Agreement or for errors in judgment. However, neither Freddie Mac nor any such person will be protected against any liability imposed by reason of willful misfeasance, bad faith or gross negligence or by reason of reckless disregard of obligations and duties.

In addition, the Multiclass PC Agreement provides that Freddie Mac is not under any obligation to appear in, prosecute, or defend any legal action that is not incidental to its responsibilities under the Multiclass PC Agreement and that in its opinion may involve it in any expense or liability. However, Freddie Mac may in its discretion undertake any such legal action that it may deem necessary or desirable in the interests of the Holders. In such event, the legal expenses and costs of such action will be expenses and costs of Freddie Mac.

Multiclass PCs of any particular Class held or acquired by Freddie Mac from time to time will have an equal and proportionate benefit to Multiclass PCs of the same Class held by other Holders, without preference, priority or distinction.

The Multiclass PC Agreement will be binding upon and inure to the benefit of any successor to Freddie Mac.

### **Voting Under Any PC or Giant PC Agreement**

To the extent set forth in each PC Agreement and the Giant PC Agreement, the record holders of PCs representing a specified percentage of the remaining unpaid principal balance of any affected PCs may take certain actions, including termination of certain obligations and duties of Freddie Mac with respect thereto, if an "event of default" under the applicable PC or Giant PC Agreement has occurred and is continuing. The Multiclass PC Agreement provides that Holders of Multiclass PCs may, upon the occurrence of an event of default with respect to a PC backing the related Series, take any such action rather than Freddie Mac. For this purpose, the Holders of Multiclass PCs will be deemed the holders of the affected PC, in proportion to the outstanding principal amounts of their Multiclass PCs.

As set forth in each PC Agreement and the Giant PC Agreement, the holders of PCs owning a majority of the remaining unpaid principal balance of any affected PCs may consent to certain amendments to the PC Agreement or Giant PC Agreement. The Multiclass PC Agreement provides that Freddie Mac may consent to such an amendment as to any PC backing a Series of Multiclass PCs, so long as such amendment would not adversely affect in any material respect the interests of the Holders of Classes of that Series. If the amendment would have such effect, Freddie Mac may consent to it only with the written consent of Holders of Multiclass PCs of each Class so affected representing not less than 50% of the outstanding principal amount (or notional principal amount) of that Class.

### **Events of Default**

"Events of Default" under the Multiclass PC Agreement will consist of (i) any failure by Freddie Mac to pay to Holders of any Class any required payment that continues unremedied for 30 days; (ii) any failure by Freddie Mac to perform in any material respect any other covenant or agreement in the Multiclass PC Agreement, which failure continues unremedied for 60 days after the giving of notice of such failure to Freddie Mac by the Holders of any affected Class representing not less than 60% of the outstanding principal amount (or notional principal amount) of such Class; and (iii) certain events of bankruptcy, insolvency or similar proceedings involving Freddie Mac.

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

As long as an Event of Default under the Multiclass PC Agreement remains unremedied, the Holders of any Class representing not less than 50% of the outstanding principal amount (or notional principal amount) of such Class may, in writing, remove Freddie Mac and nominate a successor to Freddie Mac. That nominee will be deemed appointed as successor to Freddie Mac (except as to its

guarantee obligation) unless, within 10 days after such nomination, Freddie Mac objects, in which case Freddie Mac may petition any court of competent jurisdiction for the appointment of a successor or any Holder who has been a bona fide Holder for at least six months may, on behalf of such Holder and all others similarly situated, petition any such court for appointment of a successor to Freddie Mac. The court may, upon any prescribed notice, appoint a successor to Freddie Mac.

#### **Amendment**

Freddie Mac may amend the Multiclass PC Agreement, without the consent of any Holder or Holders, (i) to cure any ambiguity, to correct or supplement any provision which may be inconsistent with any other provision, or to make any other provisions with respect to matters or questions arising under the Multiclass PC Agreement that are not inconsistent with the other provisions of the Multiclass PC Agreement, provided that any such amendment shall not adversely affect in any material respect the interest of any Holder; or (ii) to permit Freddie Mac to take any necessary or helpful action to maintain the qualification of any REMIC Pool as a REMIC under the Internal Revenue Code or to avoid the imposition of any state or federal tax on a REMIC Pool.

Freddie Mac may also amend the Multiclass PC Agreement in any other respect with the consent of the Holders of each affected Class representing not less than 50% of the outstanding principal amount (or notional principal amount) of such Class. However, without the consent of a Holder, Freddie Mac may not amend the Multiclass PC Agreement to impair or affect the right of such Holder to receive payment of principal and interest (including any payment under Freddie Mac's guarantee) due such Holder, on or after the due date of such payment, or to institute suit for the enforcement of any such payment on or after such date.

#### **Governing Law**

The Multiclass PC Agreement will be construed in accordance with and governed by the laws of the United States. Insofar as there may be no applicable precedent, and insofar as to do so would not frustrate the purposes of the Freddie Mac Act or any provision of the Multiclass PC Agreement or the transactions governed thereby, the local laws of the State of New York will be deemed reflective of the laws of the United States.

### **CERTAIN FEDERAL INCOME TAX CONSEQUENCES**

#### **General**

The following generally describes the anticipated material federal income tax consequences of purchasing, owning and disposing of Multiclass PCs. It does not address special rules which may apply to particular types of investors. The authorities on which this discussion is based are subject to change or differing interpretations, and any such change or interpretation could apply retroactively. Investors should consult their own tax advisors regarding Multiclass PCs.

#### **REMIC Election**

Freddie Mac will elect to treat each REMIC Pool as a REMIC under the Internal Revenue Code (the "Code"). Cadwalader, Wickersham & Taft, special counsel to Freddie Mac, has advised Freddie Mac that in the firm's opinion, assuming (i) such election, (ii) compliance with the Multiclass PC Agreement and (iii) compliance with changes in the law, each REMIC Pool will qualify as a REMIC. In such case, the REMIC Pool generally will not be subject to tax, the related Regular Classes will be "regular interests" in a REMIC and the related Residual Class will be the "residual interest" in a REMIC.

#### **Status of Multiclass PCs**

Multiclass PCs will constitute:

- "qualifying real property loans" under Code Section 593(d)(1);

- assets described in Code Section 7701(a)(19)(C); and
- "real estate assets" under Code Section 856(c)(5)(A)

to the extent the assets of the related REMIC Pool are so treated. Interest on the Multiclass PCs will be "interest on obligations secured by mortgages on real property or on interests in real property" within the meaning of Code Section 856(c)(3)(B) in the same proportion that the income of the REMIC Pool is so treated. If at all times 95% or more of the assets or income of the related REMIC Pool qualifies for any of the foregoing treatments, the Multiclass PCs (and income thereon) will qualify for the corresponding status in their entirety. In determining the tax status of an Upper-Tier REMIC Pool, however, Freddie Mac will apply the 95% test assuming the Lower-Tier Classes have the same characteristics as the Lower-Tier REMIC Pool. Freddie Mac anticipates that the Multiclass PCs will qualify for the foregoing treatments in their entirety. Regular Classes will be "qualified mortgages" under Code Section 860G(a)(3) for another REMIC.

## **Taxation of Regular Classes**

### *General*

The Regular Classes will be taxed as newly originated debt instruments for federal income tax purposes. Interest, original issue discount and market discount accrued on a Regular Class will constitute ordinary income to the beneficial owner (the "Owner"). Each Owner of a Regular Class must account for interest income on the accrual method.

### *Original Issue Discount*

The REMIC Pool may issue certain Regular Classes with "original issue discount." An Owner must include original issue discount in income as it accrues, without regard to the timing of payments. In the absence of guidance which applies specifically to REMIC regular interests, Freddie Mac will report original issue discount, if any, to the Internal Revenue Service and the Holders of the Regular Classes based on regulations under Code Sections 1271 through 1275 (the "OID Regulations"). The OID Regulations apply to debt instruments issued on or after April 4, 1994, but may be relied upon for debt instruments issued after December 21, 1992.

The total amount of original issue discount on a Regular Class is the excess of its "stated redemption price" over its "issue price." The issue price is the price at which a substantial portion of the Regular Class is first sold to the public. The issue price generally includes any pre-issuance accrued interest unless the Owner excludes such amount from the issue price and treats a portion of the stated interest payable on the first Payment Date as a return of that accrued interest rather than as an amount payable under the instrument. In general, the stated redemption price is the sum of all payments except for interest actually payable based on a single fixed rate, certain variable rates, or certain combinations of fixed and variable rates. Interest based on certain variable rates or certain combinations of fixed and variable rates which would otherwise be excluded from the stated redemption price will be included in the stated redemption price if the excess, if any, of the issue price of the Regular Class over the principal amount of the Regular Class is more than 0.015 multiplied by the product of the principal amount and the weighted average maturity (as defined below) or, if the weighted average maturity of the Regular Class is more than ten years, 15% of the principal amount. If the interval between the issue date and the first Payment Date exceeds the interval between subsequent Payment Dates, a portion of the interest payments in all periods is included in the stated redemption price, unless a special rule, described below, applies. The portion included in the stated redemption price is equal to the difference between (i) the stated interest rate for subsequent periods and (ii) the effective rate of interest for the long first accrual period.

Freddie Mac intends to report income from Interest Only Classes based on the assumption that the stated redemption price is the sum of all payments determined under the Prepayment Assumption (as defined below). As a result, such Classes would be issued with original issue discount. The Internal Revenue Service might contend, however, that in the case of certain fixed rate Interest Only Classes

with a nominal principal amount, the stated redemption price is the principal amount. If such a position prevailed, the rules described below under "Premium" would apply.

Under a *de minimis* rule, original issue discount on a Regular Class will be considered zero and all interest payments will be excluded from the stated redemption price if the amount of the original issue discount is less than 0.25% of the Class's stated redemption price multiplied by the Class's weighted average maturity. The weighted average maturity of a Regular Class is computed based on the number of full years (*i.e.*, rounding down partial years) each distribution of principal is scheduled to be outstanding. The schedule of such distributions likely should be determined in accordance with the assumed rate of prepayment of the Mortgages used in pricing the Regular Classes (the "Prepayment Assumption"), which will be set forth in the related Supplement.

The OID Regulations provide a special application of this *de minimis* rule for certain debt instruments with long first accrual periods where the interest payable for the first period is at a rate less than that which applies in all other periods. In such cases, the OID Regulations provide that the stated redemption price is equal to the sum of (i) the principal amount of the Regular Class and (ii) the interest foregone during the long period, reduced (but not below zero) by the difference between the issue price of the Regular Class and its principal amount.

The Owner of an interest in a Regular Class generally must include in income the original issue discount accrued for each day on which the Owner holds such interest, including the date of purchase, but excluding the date of disposition. The original issue discount accruing on an interest in a Regular Class in any period equals:

$$PV \text{ End} + \text{Dist} - PV \text{ Beg}$$

Where:

PV End = present value of all remaining distributions to be made as of the end of the accrual period;

Dist = distributions made during the accrual period includable in stated redemption price; and

PV Beg = present value of all remaining distributions as of the beginning of the accrual period.

The present value of the remaining distributions is calculated based on (i) the original yield to maturity of the Regular Class, (ii) events (including actual prepayments) that have occurred prior to the end of the period and (iii) the Prepayment Assumption. For these purposes, the original yield to maturity of an interest in a Regular Class will be calculated based on its issue price and assuming that such interest will be prepaid in all periods in accordance with the Prepayment Assumption. The original issue discount accruing during any accrual period will then be divided by the number of days in the period to determine the daily portion of original issue discount for each day.

The daily portions of original issue discount generally will increase if prepayments on the underlying Mortgages exceed the Prepayment Assumption and decrease if prepayments are slower than the Prepayment Assumption (changes in the rate of prepayments having the opposite effect in the case of an Interest Only Class). If the relative principal payment priorities of the Classes of a Series change (*e.g.*, for Sticky Jump Classes), any increase or decrease in the present value of the remaining payments to be made on any such Class will affect the computation of original issue discount for the period in which the change in payment priority occurs.

If original issue discount accruing during any accrual period, computed as described above, is negative for any such period, the Owner will be entitled to offset such amount only against future positive original issue discount accruing from such Class, and Freddie Mac intends to report income to the Internal Revenue Service in all cases in this manner. Although not entirely free from doubt, such an Owner may be entitled to deduct a loss to the extent that its remaining basis would exceed the maximum amount of future payments to which such Owner is entitled, assuming no further prepayments of the Mortgages (or, perhaps, assuming prepayments at a rate equal to the Prepayment

Assumption). While the issue is not free from doubt, all or a portion of such loss may be treated as a capital loss if the Regular Class is a capital asset in the hands of the Owner.

An initial Owner of interests in two or more Regular Classes issued in respect of the same REMIC Pool should be aware that the OID Regulations may treat such interests as a single debt instrument for purposes of the original issue discount provisions.

If a subsequent Owner of an interest in a Regular Class acquires such interest for a price greater than its "adjusted issue price," but less than its remaining stated redemption price, the daily portion for any day is reduced by an amount equal to the product of (i) such daily portion and (ii) a fraction, the numerator of which is the amount by which the price exceeds the adjusted issue price and the denominator of which is the sum of the daily portions for such Regular Class interest for all days on and after the date of purchase. The adjusted issue price of an interest in a Regular Class on any given day is equal to its issue price, increased by all original issue discount previously includible with respect to such interest and reduced by the amount of all previous distributions with respect to such interest included in such interest's stated redemption price at maturity.

#### *Market Discount*

The market discount rules may also apply to an Owner of an interest in a Regular Class. Market discount equals the excess of (a) either (i) the stated redemption price (less any prior distributions included in the stated redemption price) or (ii) in the case of a Regular Class having original issue discount, the adjusted issue price over (b) such Owner's basis in the Regular Class interest. Such Owner generally must recognize accrued market discount as ordinary income to the extent of any distributions includable in the stated redemption price.

The Conference Committee Report accompanying the Tax Reform Act of 1986 (the "Committee Report") provides that, until the Treasury Department issues regulations, market discount would accrue (a) on the basis of a constant interest rate (similar to the method described above for accruing original issue discount) or (b) alternatively, either (i) in the case of a Regular Class issued without original issue discount, in the ratio of stated interest distributable in the relevant period to the total stated interest remaining to be distributed from the beginning of such period (computed taking into account the Prepayment Assumption) or (ii) in the case of a Regular Class issued with original issue discount, in the ratio of original issue discount accrued for the relevant period to the total remaining original issue discount at the beginning of such period. Such Owner also generally must treat a portion of any gain on a sale or exchange as ordinary income to the extent of the accrued, but unrecognized, market discount to the date of disposition under one of the foregoing methods. Alternatively, an Owner may elect to include market discount in income currently as it accrues on all market discount instruments acquired by such Owner in that taxable year or thereafter. An Owner may revoke such an election only with the consent of the Internal Revenue Service.

In addition, the deduction for a portion of an Owner's interest expense on any indebtedness that the Owner incurs or maintains in order to purchase or carry an interest in a Regular Class purchased with market discount may be required to be deferred. The deferred portion would not exceed the portion of market discount that accrues but is not taken into income currently. Any such deferred interest expense is, in general, allowed as a deduction not later than the year in which the related market discount income is recognized.

Market discount with respect to a Regular Class will be considered to be zero if such market discount is *de minimis* under a rule similar to that described above under "Original Issue Discount." Owners should consult their own tax advisors regarding the application of the market discount rules as well as the advisability of making any election with respect to market discount.

#### *Premium*

An interest in a Regular Class, other than an Interest Only Class, an Accrual Class and certain other Classes whose stated interest is partially or entirely included in its stated redemption price, that is purchased at a cost (net of accrued interest) greater than its principal amount generally is considered to be purchased at a premium. The Owner may elect under Code Section 171 to amortize such premium

under the constant interest method, using the Prepayment Assumption. Such premium is an offset to interest income from an interest in a Regular Class, rather than a separate interest deduction. In addition, the Committee Report indicates Congress intended that the methods for determining the accrual of market discount described above which are alternatives to accrual on the basis of a constant interest rate also will apply for purposes of amortizing bond premium on obligations such as Regular Classes. An election made by an Owner would generally apply to all its debt instruments, unless the election is revoked with the Internal Revenue Service's consent. If an Owner's election to amortize bond premium was effective as of October 22, 1986, however, such election will apply to obligations issued after September 27, 1985 only if the Owner so chooses.

#### *Constant Yield Election*

The OID Regulations allow an Owner to elect to include in gross income all interest that accrues on a debt instrument by using the constant yield method. For purposes of this election, interest includes stated interest, original issue discount and market discount, as adjusted by any premium. This election is available with respect to debt instruments acquired on or after April 4, 1994.

#### *Retail Classes*

For purposes of the original issue and market discount rules, a payment in full of an interest in a Retail Class that is subject to payment in units or other increments, rather than on a pro rata basis with other interests in such Retail Class, will be treated as a prepayment.

#### *Floating Rate and Inverse Floating Rate Classes*

Based on the OID Regulations, the rules relating to original issue discount generally will apply to a Floating Rate or Inverse Floating Rate Class by assuming that the variable rate is a fixed rate that reflects the overall yield that is reasonably expected for such Class. Freddie Mac also intends to apply the rules of the Code relating to market discount and premium based on this assumption. The rules will apply to certain Floating Rate or Inverse Floating Rate Classes, however, by assuming that the variable rate is a fixed rate equal to the value of the variable rate as of the issue date. The applicable Supplement will identify those Classes as to which the assumption described in the preceding sentence applies.

### **Taxation of Residual Classes**

#### *Taxation of REMIC Income*

REMIC taxable income is determined under the accrual method of accounting in the same manner as the taxable income of an individual, with certain modifications. The REMIC Pool's gross income includes interest, original issue discount income and market discount income, if any, reduced by amortization of any premium, on the assets in the REMIC Pool and income from the amortization of any premium on the Regular Classes. In this regard, the REMIC Pool will elect to take all such items into account by accruing interest based on a constant yield. Deductions include interest and original issue discount expense on the Regular Classes, servicing fees on the REMIC Pool Assets and other administrative expenses. An Owner of an interest in a Residual Class (a "Residual Owner") will take into account, as ordinary income or loss, the Residual Owner's allocable share of taxable income or net loss of the REMIC Pool.

A Residual Owner may not amortize the cost of its Residual Class interest. Taxable income of the REMIC Pool, however, will not include cash received by the REMIC Pool that represents a recovery of the REMIC Pool's basis in its assets. Such recovery of basis by the REMIC Pool will have the effect of amortization of the issue price of the Residual Class over its life. The period of time over which such issue price is effectively amortized, however, may be longer than the economic life of the Residual Class.

A subsequent Residual Owner must report on its federal income tax returns amounts of taxable income or net loss equal to that which an original Residual Owner must report. Adjustments to reduce (or increase) the income of a subsequent Residual Owner that purchased such an interest at a price greater than (or less than) the adjusted issue price of such interest apparently are not permitted or required.

The taxation of a Residual Owner is based on the income and expense of the REMIC Pool, and not on distributions to the Residual Owners. This method of taxation can produce a significantly less favorable after-tax return for a Residual Class than would be the case if (i) the Residual Class were taxable as a debt instrument or (ii) no portion of the taxable income on the Residual Class in each period were treated as "excess inclusions" (as defined below). In certain periods, taxable income and the resulting tax liability on an interest in the Upper-Tier Residual Class in a Double-Tier Series or the Residual Class in a Single-Tier Series may exceed any payments received on that Class. This may occur because the yield of the Mortgage Securities in a Double-Tier Series, and the REMIC Pool Assets in a Single-Tier Series, typically will exceed the average yield of the Regular Classes in earlier periods. In addition, a substantial tax may be imposed on certain transferors of an interest in a Residual Class and certain Residual Owners that are "pass-thru" entities. See "Transfers of Interests in a Residual Class." Investors should consult their tax advisors before purchasing an interest in a Residual Class.

#### *Losses*

A Residual Owner may recognize a net loss of the REMIC Pool only to the extent of the adjusted basis of its interest in the Residual Class. A Residual Owner that is a U.S. person (as defined below), however, may carry over any disallowed loss to offset any taxable income generated by the same REMIC Pool.

#### *Treatment of Certain Items of REMIC Income and Expense*

*Original Issue Discount.* In the case of a Double-Tier Series, the OID Regulations provide, and Freddie Mac intends to report assuming, that the Mortgage Securities will be treated as a single debt instrument for purposes of the original issue discount provisions. As previously discussed, the timing of recognition of negative original issue discount, if any, on a Regular Class is uncertain; as a result, the timing of recognition of the related REMIC taxable income is also uncertain. Although not entirely free from doubt, the related REMIC taxable income may be recognized when the adjusted issue price of such Regular Class would exceed the maximum amount of future payments with respect to such Regular Class, assuming no further prepayments of the Mortgages (or, perhaps, assuming prepayments at a rate equal to the Prepayment Assumption).

*Market Discount.* In respect of Mortgages that have market discount, such market discount would be recognized in the same fashion as if it were original issue discount.

*Premium.* The election to amortize premium under Code Section 171 will not be available for premium on Mortgages that are obligations of individuals originated on or prior to September 27, 1985. Premium on such Mortgages may be deductible, if in accordance with a reasonable method. The allocation of such premium pro rata among principal payments or on the basis of a constant interest rate should be considered a reasonable method.

#### *Excess Inclusions*

A portion of the REMIC taxable income of each Residual Owner will be subject to federal income tax in all events. That portion, referred to as the "excess inclusion," is equal to the excess of REMIC taxable income for the calendar quarter over the daily accruals for such period. The daily accruals are equal to the product of (i) 120% of the federal long-term rate (based on quarterly compounding) under Code Section 1274(d) determined for the month in which the Residual Class is issued and (ii) the adjusted issue price of such interest at the beginning of such quarter. The federal long-term rate for the month of issuance of a Residual Class is published by the Internal Revenue Service on or about the 20th of the preceding month. The adjusted issue price of an interest in a Residual Class at the beginning of a quarter is the issue price of the interest, plus the amount of the daily accruals of REMIC income attributable to such interest for all prior quarters, decreased (but not below zero) by any prior distributions. The Internal Revenue Service has authority to promulgate regulations providing that if the aggregate value of the Residual Class is not considered to be "significant," then a Residual Owner's entire share of REMIC taxable income will be treated as an excess inclusion. This authority has not been exercised.



"Excess inclusions" may not be offset by unrelated losses or loss carryforwards of a Residual Owner. Thrift institutions, however, are permitted to use losses to offset their excess inclusion income from a Residual Class if such Class has "significant value." The regulations under Code Sections 860A through 860G (the "REMIC Regulations") provide that a REMIC residual interest has significant value if, as of the pricing date or the closing date, (i) the issue price of such interest equals at least 2% of the aggregate of the issue prices of all interests in the REMIC and (ii) the anticipated weighted average life of such REMIC residual interest is at least 20% of the anticipated weighted average life of the REMIC.

A Residual Owner's excess inclusion is treated as unrelated business taxable income for an organization subject to the tax on unrelated business income. In addition, under Treasury regulations yet to be issued, if a real estate investment trust, regulated investment company or certain other pass-through entities are Residual Owners, a portion of distributions made by such entities would constitute excess inclusions.

Legislation has been introduced with respect to the relationship between excess inclusions and the alternative minimum tax. Such legislation generally would be effective for taxable years beginning after December 31, 1986. This legislation provides that (i) the alternative minimum taxable income of a taxpayer is based on the taxpayer's regular taxable income computed without regard to the rule that taxable income cannot be less than the amount of excess inclusions, (ii) the alternative minimum taxable income of a taxpayer for a taxable year cannot be less than the amount of excess inclusions for that year and (iii) the amount of any alternative minimum tax net operating loss is computed without regard to any excess inclusions. No prediction can be made whether such legislation will be enacted.

#### *Prohibited Transactions*

Income from certain transactions, called prohibited transactions, will not be part of the calculation of income or loss includable in the federal income tax returns of Residual Owners, but rather will be taxed directly to the REMIC Pool at a 100% rate. Because of Freddie Mac's guarantee, in the event such tax is imposed on a REMIC Pool, payments of principal and interest on the Multiclass PCs will not be affected.

#### **Sale or Exchange of Multiclass PCs**

An Owner generally will recognize gain or loss upon sale or exchange of a Multiclass PC equal to the difference between the amount received and the Owner's adjusted basis in the Multiclass PC. The adjusted basis in a Multiclass PC generally will equal the cost of the Multiclass PC, increased by income previously included, and reduced (but not below zero) by previous distributions and by any amortized premium, in the case of an interest in a Regular Class, or net losses allowed as a deduction, in the case of an interest in a Residual Class.

Except as described below, any gain or loss on the sale or exchange of a Multiclass PC held as a capital asset will be capital gain or loss and will be long-term or short-term depending on whether the interest has been held for the long-term capital gain holding period (more than one year). Such gain or loss will be ordinary income or loss (i) for a bank or thrift institution; and (ii) in the case of an interest in a Regular Class, (a) to the extent of any accrued, but unrecognized, market discount or (b) to the extent income recognized by the Owner is less than the income that would have been recognized if the yield on such interest were 110% of the applicable federal rate under Code Section 1274(d).

Whether the termination of the REMIC will be treated as a sale or exchange of a Residual Owner's interest is not clear. If it is, the Residual Owner will recognize a loss at that time equal to the amount of the Owner's remaining adjusted basis in such interest.

Except as provided in Treasury regulations, the wash sale rules of Code Section 1091 will apply to dispositions of an interest in a Residual Class where the seller of the interest, during the period beginning six months before the sale or disposition of the interest and ending six months after such sale or disposition, acquires (or enters into any other transaction that results in the application of Code Section 1091 with respect to) any residual interest in any REMIC or any interest in a "taxable

mortgage pool" (such as a non-REMIC owner trust) that is economically comparable to a Residual Class.

### **Transfers of Interests in a Residual Class**

#### *Disqualified Organizations*

A transfer of an interest in a Residual Class to a "disqualified organization" (as defined below) may result in a tax equal to the product of (i) the present value of the total anticipated future excess inclusions with respect to such interest and (ii) the highest corporate marginal federal income tax rate. Such a tax generally would be imposed on the transferor of the interest in the Residual Class, except that if the transfer is through an agent for a disqualified organization, the agent is liable. A transferor is not liable for such tax if the transferee furnishes to the transferor an affidavit that the transferee is not a disqualified organization and, as of the time of the transfer, the transferor does not have actual knowledge that such affidavit is false.

A "pass-thru entity" (as defined below) is subject to tax (at the highest corporate marginal federal income tax rate) on excess inclusions to the extent disqualified organizations hold interests in the pass-thru entity. However, such tax will not apply if the pass-thru entity receives an affidavit that the record holder is not a disqualified organization and does not have actual knowledge that the affidavit is false.

For these purposes, (i) "disqualified organization" means the United States, any state or political subdivision thereof, any foreign government, any international organization, any agency or instrumentality of any of the foregoing, certain organizations that are exempt from taxation under the Code (including tax on excess inclusions) and certain corporations operating on a cooperative basis and (ii) "pass-thru entity" means any regulated investment company, real estate investment trust, common trust fund, partnership, trust or estate and certain corporations operating on a cooperative basis. Except as may be provided in Treasury regulations, any person holding an interest in a pass-thru entity as a nominee for another will, with respect to such interest, be treated as a pass-thru entity.

The Multiclass PC Agreement provides that any attempted transfer of a beneficial or record interest in a Residual Class will be null and void unless (i) the proposed transferee provides to Freddie Mac (a) an affidavit that such transferee is not a disqualified organization and is not purchasing such interest on behalf of a disqualified organization and (b) if requested by Freddie Mac, an opinion of counsel to the effect that the proposed transfer will not cause such Residual Class interest to be held by a disqualified organization; or (ii) Freddie Mac consents to such transfer.

Legislation has been introduced that would treat all partners in any "large partnership" as "disqualified organizations," thus subjecting such a partnership to tax on all of its excess inclusions at the highest corporate rate. The legislation would also disallow 70% of any large partnership's miscellaneous itemized deductions, including the deductions for servicing compensation relating to the PCs in a REMIC Pool, although the remaining deductions would not be subject to the 2% floor at the partner level. A "large partnership" generally includes a partnership having 250 or more partners during any taxable year. This legislation would be effective for taxable years ending on or after December 31, 1993. No prediction can be made whether such legislation will be enacted.

#### *Additional Transfer Restrictions*

Under the REMIC Regulations, a transfer of a noneconomic residual interest is disregarded for all federal income tax purposes if a significant purpose of the transfer is to impede the assessment or collection of tax. Such a purpose exists if, at the time of the transfer, the transferor knew or should have known that the transferee would be unwilling or unable to pay taxes on its share of the taxable income of the REMIC. A transferor will be presumed to lack such knowledge (or reason to know) if, after a reasonable investigation, the transferor finds that the transferee historically paid its debts as they came due, and finds no significant evidence that the transferee would not continue to do so, and the transferee represents to the transferor that (i) the transferee understands that it might incur tax liabilities in excess of any cash received with respect to the residual interest and (ii) the transferee intends to pay the taxes associated with owning the residual interest as they come due. The scope of due diligence required under

this rule is uncertain. A residual interest in a REMIC (including a residual interest with significant value at issuance) is a noneconomic residual interest unless, at the time of the *transfer*, (i) the present value of the expected future distributions on the residual interest at least equals the product of the present value of the anticipated excess inclusions and the highest corporate income tax rate in effect for the year in which the transfer occurs and (ii) the transferor reasonably expects that for each anticipated excess inclusion the transferee will receive distributions from the REMIC at or after the time at which taxes accrue on the anticipated excess inclusion in an amount sufficient to satisfy the taxes accrued.

The REMIC Regulations provide that any transfer of a residual interest (whether or not a noneconomic residual interest) to a non-U.S. person is disregarded for all federal tax purposes if the residual interest has "tax avoidance potential." A residual interest has tax avoidance potential under the REMIC Regulations unless, at the time of transfer, the transferor reasonably expects that:

- (i) for each excess inclusion, the REMIC will distribute on the residual interest an amount that will equal at least 30% of the excess inclusion, and
- (ii) the transferee will receive each such distribution from the REMIC at or after the time at which the excess inclusion accrues and not later than the close of the calendar year following the calendar year of accrual.

The reasonable expectation requirement will be satisfied if the above test would be met assuming that the Mortgages underlying the REMIC's assets were to prepay at each rate between 50 percent and 200 percent of the Prepayment Assumption. The REMIC Regulations also provide that a transfer from a non-U.S. person to a U.S. person or to a non-U.S. person engaged in a United States trade or business is disregarded if the transfer has "the effect of allowing the transferor to avoid tax on accrued excess inclusions."

With respect to a Residual Class that has been held at any time by a non-U.S. person, Freddie Mac (or its agent) will be entitled to withhold (and to pay to the Internal Revenue Service) any portion of any payment on such Residual Class that Freddie Mac reasonably determines is required to be withheld. If Freddie Mac (or its agent) reasonably determines that a more accurate determination of the amount required to be withheld from a distribution can be made within a reasonable period after the scheduled date for such distribution, it may hold such distribution in trust for the Owners of any such Residual Class, until it can make the more accurate determination.

Certain restrictions will be imposed on transfers of the interests in the Residual Classes, including the requirement that no transfer to a non-U.S. person (or, for certain Residual Classes, to any person) will be permitted without Freddie Mac's written consent. These restrictions, together with those imposed under the REMIC Regulations, may have the practical effect of rendering the interests in certain Residual Classes non-transferable.

The term "non-U.S. person" means any person that is not a "U.S. person." A U.S. person is a citizen or resident of the United States, a corporation, partnership or other entity created or organized in or under the laws of the United States or any political subdivision thereof, or an estate or trust that is subject to U.S. federal income tax regardless of the source of its income.

#### *Miscellaneous*

If the equity interest in a non-U.S. person investor is held in whole or in part by a U.S. person, such investor or U.S. person should consult its own tax advisors regarding any tax consequences to such U.S. person of the investor's purchase of an interest in a Residual Class.

The federal income tax consequences of any consideration paid to a transferee on a transfer of an interest in a Residual Class are unclear. The preamble to the REMIC Regulations indicates that the Internal Revenue Service is considering the tax treatment of these types of residual interests. A transferee of such an interest should consult its tax advisors.

### **Treatment of Servicing Compensation**

An Owner that is an individual, estate or trust will be subject to limitation with respect to certain itemized deductions described in Code Section 67, to the extent that such deductions, in the aggregate, do not exceed 2% of the Owner's adjusted gross income, and such Owner may not be able to deduct such fees and expenses to any extent in computing such Owner's alternative minimum tax liability. Such deductions will include servicing, guarantee and administrative fees paid to the servicer of the Mortgages or to Freddie Mac. These deductions will be allocated entirely to the Residual Owners in the case of REMIC Pools with multiple classes of interests that pay their principal amounts sequentially. As a result, the REMIC Pool will report additional taxable income to Residual Owners in an amount equal to their allocable share of such deductions, and individuals, estates, or trusts holding an interest in such Residual Class may have taxable income in excess of the cash received. In the case of a "Single-class REMIC" as defined in applicable Treasury regulations, such deductions will be allocated proportionately among the Regular and Residual Classes.

### **Taxation of Certain Foreign Investors**

#### *Regular Classes*

Interest, including original issue discount, distributable to the Owner of a Regular Class interest that is a non-U.S. person not engaged in a U.S. trade or business will be considered "portfolio interest" and, therefore, will not be subject to the 30% United States withholding tax provided that such non-U.S. person provides an appropriate statement, signed under penalties of perjury, identifying the Owner and stating, among other things, that the Owner of the Regular Class interest is a non-U.S. person. If such statement is not provided, 30% withholding will apply unless an income tax treaty reduces or eliminates such tax. If the interest is effectively connected with the conduct of a trade or business within the United States by a non-U.S. person, such non-U.S. person will be subject to United States federal income tax at regular rates. Owners of Regular Class interests that are non-U.S. persons should consult their own tax advisors.

#### *Residual Classes*

A distribution to a Residual Owner that is a non-U.S. person will not be subject to the 30% withholding tax provided that (i) the conditions described in the preceding paragraph are met and (ii) the distribution does not constitute an "excess inclusion" (but only, in the case of a Single-Tier Series or the Lower-Tier REMIC Pool in a Double-Tier Series, to the extent the Mortgages were originated after July 18, 1984). Excess inclusions are subject to a 30% withholding tax in all events when distributions are made (or when the interest in the Residual Class is disposed of). The Code grants the Treasury Department authority to issue regulations requiring withholding earlier if necessary to prevent avoidance of tax. The preamble to the REMIC Regulations indicates that the Internal Revenue Service is considering this issue. Residual Owners that are non-U.S. persons should consult their own tax advisors.

### **Backup Withholding**

Distributions made on the Multiclass PCs and proceeds from the sale of Multiclass PCs to or through certain brokers may be subject to a "backup" withholding tax of 31% (20% for payments prior to January 1, 1993) of "reportable payments" (including interest accruals, original issue discount, and, under certain circumstances, distributions in reduction of principal amount) unless, in general, the Owner of the Multiclass PCs complies with certain procedures or is an exempt recipient. Any amounts so withheld from distributions on the Multiclass PCs would be refunded by the Internal Revenue Service or allowed as a credit against the Owner's federal income tax.

### **Reporting and Administrative Matters**

Reports will be made to the Internal Revenue Service and to Holders of record of Multiclass PCs that are not excepted from the reporting requirements.

Freddie Mac will prepare, sign and file federal income tax returns for each REMIC Pool. To the extent allowable, Freddie Mac will also act as the tax matters partner for each REMIC Pool. Each Residual Owner, by the acceptance of its interest in a Residual Class, agrees that Freddie Mac will act as the Owner's fiduciary in the performance of any duties required of the Owner in the event that the Owner is the tax matters partner.

A Residual Owner is required to treat items on its returns consistently with their treatment on the REMIC Pool's return, unless the Owner owns 100% of the Residual Class for the entire calendar year or the Owner either files a statement identifying the inconsistency or establishes that the inconsistency resulted from incorrect information received from the REMIC Pool. The Internal Revenue Service may assess a deficiency resulting from a failure to comply with the consistency requirement without instituting an administrative proceeding at the REMIC level. Any person that holds a Residual Class interest as a nominee for another person may be required to furnish the REMIC Pool, in a manner to be provided in Treasury regulations, the name and address of such other person and other information.

### 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 with respect to 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 interest and principal payable on the certificate are guaranteed by Freddie Mac. The effect of the regulation is to make clear that the sponsor (that is, the entity that organizes and services the pool, in this case Freddie Mac) and other persons, in providing services with respect to the assets in the 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 certificate. At the time this Labor Department regulation was issued, certificates similar to Multiclass PCs were not in existence. However, Freddie Mac has been advised by its special counsel, Cadwalader, Wickersham & Taft, that the Multiclass PCs should qualify as "guaranteed governmental mortgage pool certificates."

The purchase of an interest in a Residual Class by a plan may give rise to "unrelated business taxable income" as described in Code Sections 511 through 515 and Section 860E. See "Certain Federal Income Tax Consequences — Taxation of Residual Classes — Excess Inclusions."

### LEGALITY OF INVESTMENT

Set forth below is a summary of certain federal statutes and regulations relating to the purchase or pledge of Multiclass PCs by certain financial institutions. The information in this section is qualified by the considerations described under "Regulatory Constraints" below.

National banks may deal in, underwrite and purchase Multiclass PCs for their own accounts without regard to limitations generally applicable to investment securities. 12 U.S.C. § 24, seventh paragraph.

Federal savings associations and federal savings banks may invest in Multiclass PCs without regard to percentage of assets limitations generally applicable to investments. 12 U.S.C. § 1464(c)(1)(E).

Federal credit unions may purchase Multiclass PCs, subject to restrictions on investing in certain Classes. 12 U.S.C. § 1757(7)(E) and 12 C.F.R. § 703.5(f)-(k).

Multiclass PCs are lawful investments, and may be accepted as security, for all fiduciary, trust and public funds, the investment or deposits of which are under the authority and control of the United States or any officers thereof. 12 U.S.C. § 1452(g). Multiclass PCs are acceptable as collateral for Treasury tax and loan accounts pursuant to 31 C.F.R. § 203.15(d)(1).

Federal Reserve Banks may accept Multiclass PCs as eligible security for advances to member banks for periods not exceeding 90 days. 12 U.S.C. § 347 and 12 C.F.R. § 201.108(b)(16).

Multiclass PCs are eligible as security for advances by Federal Home Loan Banks to federal savings associations, federal savings banks and other members for which Multiclass PCs are legal investments. 12 U.S.C. § 1430(a)(2) and 12 C.F.R. § 935.9(a)(2)(i).

In addition to the specific authorizations discussed above, Section 106 of the Secondary Mortgage Market Enhancement Act of 1984 ("SMMEA") provides that any person, trust, corporation, partnership, association, business trust or business entity created pursuant to or existing under the laws of the United States or any state (including the District of Columbia and Puerto Rico) is authorized to purchase, hold and invest in securities issued or guaranteed by Freddie Mac (including Multiclass PCs) to the same extent that the investor is authorized to purchase, hold or invest in obligations issued or guaranteed as to principal and interest by the United States or any agency or instrumentality thereof. Prior to October 4, 1991, states were authorized by SMMEA to enact legislation which specifically referred to Section 106 and either prohibited or limited an investor's authority to invest in securities issued or guaranteed by Freddie Mac. To the best of Freddie Mac's knowledge, 18 states currently have legislation limiting to varying degrees the ability of certain entities (in most cases, insurance companies) to invest in securities issued or guaranteed by Freddie Mac.

#### REGULATORY CONSTRAINTS

The regulatory or lending authorities that administer the statutes or regulations discussed in the preceding section generally reserve discretion whether securities, such as Multiclass PCs, that are otherwise acceptable for investment or as security for borrowings may be purchased or pledged by the institutions subject to their jurisdiction. In particular, the ability of an institution to purchase or pledge certain Classes of Multiclass PCs, such as Accrual, Interest Only, Principal Only and Residual Classes, in the various circumstances described in the preceding section (such as collateral for Treasury tax and loan accounts) may be limited in the exercise of such discretion. Such authorities, in their discretion, may also impose limitations on the collateral value of Multiclass PCs that are otherwise acceptable as security.

Any institution under the jurisdiction of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, the National Credit Union Administration, the Department of the Treasury or any other federal or state agency with similar authority should review any applicable regulations, policy statements and guidelines before purchasing or pledging Multiclass PCs.

Depository institutions should review and consider the applicability of the "Supervisory Policy Statement on Securities Activities" dated January 28, 1992 (the "Policy Statement") of the Federal Financial Institutions Examination Council (the "FFIEC"). The Policy Statement, which has been adopted by all of the FFIEC members, prohibits depository institutions from investing in certain "high-risk mortgage securities" (including securities such as certain Classes of Multiclass PCs), except under limited circumstances, and sets forth certain investment practices deemed to be unsuitable for regulated institutions. Investors should note that certain Classes of Multiclass PCs that are not regarded as "high-risk mortgage securities" at the time of their original issuance may become "high-risk mortgage securities" at a later date.

The National Association of Insurance Commissioners has released for public comment a proposed Model Investment Law for state-regulated insurance companies. The proposal would impose additional restrictions on investments by certain insurance companies in certain mortgage related securities,

including Multiclass PCs. As proposed, these restrictions would take effect after adoption of the Model Investment Law on a state-by-state basis.

Institutions whose investment activities are subject to review by regulatory authorities may become subject to restrictions, which may be retroactively imposed by such regulatory authorities, on investment by such institutions in certain types of Multiclass PCs. In addition, certain state regulators have indicated that regulated institutions subject to their jurisdiction should not hold certain types of mortgage-backed securities, including those previously purchased.

Investors should consult with their own legal advisors in determining whether and to what extent Multiclass PCs constitute legal investments for such investors and whether and to what extent Multiclass PCs can be used as collateral for various types of borrowings. Investors should also consult with their legal advisors in determining the appropriate risk-based capital treatment of Multiclass PCs. This and the preceding section do not take into consideration the applicability of statutes, regulations, orders, guidelines or agreements generally governing investments made by a particular investor, including, but not limited to, "prudent investor" provisions, percentage-of-assets limits, and provisions which may restrict or prohibit investments in securities that are issued in book-entry form or that are not "interest-bearing" or "income-paying."



ศูนย์วิจัยทรัพยากร  
จุฬาลงกรณ์มหาวิทยาลัย

This Supplement, together with the Multiclass PC Offering Circular, constitutes an offer to sell only the Multiclass PCs offered hereby. Freddie Mac has not authorized any broker, dealer or salesperson, or anyone else, to make any statements, written or oral, in connection with the offer, except for those contained in this Supplement and in the other documents and sources of information prepared by Freddie Mac that are listed on page S-2 and under "General Information — Additional Information." Investors must not rely on any other statements as having been authorized by either Freddie Mac or the Underwriter. This Supplement and the Multiclass PC Offering Circular do not constitute an offer to sell or a solicitation of an offer to buy the Multiclass PCs by anyone in any jurisdiction where such an offer or solicitation would be unlawful, or where the person making such an offer or solicitation would not be qualified to do so, or to anyone to whom it would be unlawful to make such an offer or solicitation. Freddie Mac makes no representation that the statements in this Supplement or any other document will be correct at any time after the date of such document, even though delivery of the document and the sale of the Multiclass PCs take place on a later date.

**\$300,000,000**

**Federal Home  
Loan Mortgage  
Corporation**

**Multiclass Mortgage Participation  
Certificates, Series 1706**

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**CITIBANK** 


February 18, 1994





### ประวัติผู้เขียน

นางสาวเนติมา เอื้อธรรมาภิมุข เกิดเมื่อวันที่ 27 สิงหาคม พ.ศ. 2511 สำเร็จการศึกษาชั้นมัธยมปลายจากโรงเรียนเขมะสิริอนุสสรณ์ และสำเร็จการศึกษา นิติศาสตร์บัณฑิต (เกียรตินิยมอันดับสอง) จากจุฬาลงกรณ์มหาวิทยาลัย เมื่อปี พ.ศ. 2533 อดีตเป็นนิติกร ประจำฝ่ายกฎหมาย สำนักงานคณะกรรมการกำกับหลักทรัพย์และตลาดหลักทรัพย์ ปัจจุบันเป็นทนายความที่บริษัท เอ็มพีเอส แอนด์ แอสโซซิเอทส์ จำกัด



ศูนย์วิทยทรัพยากร  
จุฬาลงกรณ์มหาวิทยาลัย