

FEDERAL RESERVE BANK OF NEW YORK

NEW YORK, N.Y. 10045

AREA CODE 212-720-5000

March 4, 1988
Clearing Memo #137

Memorandum to Institutions Maintaining Direct Wire Links with
the Federal Reserve Bank of New York for Securities Transfer

RE: Expansion of Book-Entry Services for Federal Home Loan
Mortgage Association

The Federal Home Loan Mortgage Corporation will issue Multiclass Mortgage Participation Certificates (Multiclass PCs) in book-entry form. In this connection, the Federal Reserve Bank of New York (FRBNY) has been named fiscal agent with respect to these securities. Each offering of Multiclass PCs consists of several different classes, each with a unique coupon rate and/or maturity date. Freddie Mac has elected to treat the Multiclass PC as a Real Estate Mortgage Investment Conduit (REMIC).

All classes other than the last class will be "regular classes" and will be on the book-entry system. The last class will be a REMIC "residual class" and will not be on the book-entry system. The FRBNY will not be fiscal agent for the residual classes.

Multiclass PC transactions will be handled by the FRBNY's Securities Transfer System. Transfers will be made in a manner similar to that for existing book-entry Treasury and Agency securities, although Multiclass PCs will be initially eligible for transfer only within the Second Federal Reserve District. The first offering of Freddie Mac book-entry Multiclass PCs is scheduled for March 1988.

A. CUSIP Numbers/Securities Description

Each class will be assigned a unique nine character CUSIP number. The first six digits will identify the security as a Multiclass PC, the seventh and eighth digits will be randomly assigned, and the ninth digit will be a check digit.

Individual classes of the REMIC may bear interest at a fixed rate or an adjustable rate. The security description field (on line 8 of the securities transfer message) for a fixed rate class of a Multiclass PC will include the alpha mnemonic "FMRM", the series, the class identification and maturity date. An example of this is "FMRM 00001A 04/11/08". The security description for an adjustable rate class of a Multiclass PC will include the alpha mnemonic "FMRA", the series, the class identification and the maturity date. An example of this is "FMRA 00001A 04/11/08".

B. Denominations

The denominations for current and future issues of Freddie Mac Multiclass PCs will be \$1.00 minimum and \$1.00 multiples.

C. Original Issue

Freddie Mac has indicated that all issues of Multiclass PCs (other than the "residual" classes) will be in book-entry form.

On the original issue settlement date, Freddie Mac (using its on-line link to FRBNY) will transmit the securities through the Securities Transfer System to DIS located in the Second Federal Reserve District. The original issue will be effected by sending a type code 25 message (reversal code 2502) which will transfer the securities against payment to the purchaser's account from the Freddie Mac Issuer Account.

D. Secondary Market Transactions

DIS will be able to conduct secondary market transactions for book-entry Multiclass PCs through the Second District's Securities Transfer System. These transfers will be effected using the standard type code 20 message, and will be governed by the same procedures and prices applicable to transfers of other book-entry non-Treasury securities. As stated earlier, initially book-entry Multiclass PCs may be maintained only within the Second District.

E. Principal and Interest Payments

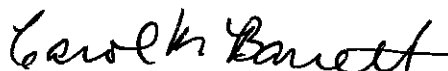
Interest payments on Multiclass PCs will be distributed monthly to holders of each class according to the terms of the offering circulars. Accrual classes would not initially receive any interest payments. Principal payments, which are also paid monthly, would initially be paid only to holders of the class or classes that, by their terms, are entitled to receive principal from the beginning. As those classes are retired, principal payments would be channeled to holders of other classes. This process would be continued until all classes prior to the accrual class are completely paid down. Only then are principal and interest payments distributed monthly to holders of the accrual class.

Multiclass PCs will be completely retired on or before their stated final payment dates. If the mortgages underlying the Multiclass PCs pay down at a faster rate than that assumed in calculating the final payment date, the prepayments will be directed to the security holders of the class or classes which are currently receiving principal payments, thereby possibly causing such classes to be retired prior to the final payment date(s).

The book-entry monthly payments (principal and interest) will be automated. FRBNY will calculate the payments by applying the "Multiclass PC Pool Factors", published by Freddie Mac, to the holdings as of the record date. All payments for all Multiclass PC CUSIPs held in each subaccount will be aggregated into one total payment amount. On the specified payment date, each subaccount will receive one type code 8906 message reflecting this total payment amount. Approximately two weeks prior to the payment date, each DI will receive a statement from FRBNY which will break down the total payment amount by principal and interest for each CUSIP in each subaccount. The record date is the 14th day of each month and the payment date is the 15th day (or the next business day if the 15th is not a business day) of the following month.

Questions regarding this announcement should be directed to Patricia Hilt-Lupack, Manager, Securities Transfer Department, on (212) 720-5379.

Sincerely,



Carol W. Barrett
Vice President