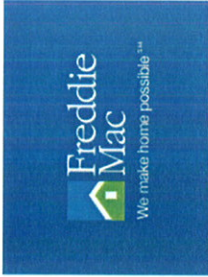




**MOORS & CABOT**  
INVESTMENTS

*Banking & Advisory Group*



The Federal Home Loan Corporation ("Freddie Mac" or "FHLMC") was chartered by Congress in 1970 as a publicly traded stockholder-owned corporation [NYSE: FRE] to increase the supply of funds that mortgage lenders, such as commercial banks, mortgage bankers, savings institutions and credit unions make available to homebuyers and multifamily investors. The U.S. Department of Housing and Urban Development (HUD) oversees Freddie Mac's housing mission, requiring that a certain percentage of the mortgages purchased help provide housing for low- and moderate-income families. Freddie Mac's financial safety and soundness is regulated by the Office of Federal Housing Enterprise Oversight (OFHEO). Organizationally, OFHEO is located within HUD, however it operates independently of the Secretary of HUD as it implements, monitors, and enforces capital standards for Freddie Mac.

Freddie Mac does not make individual mortgage loans to consumers. Rather, Freddie Mac purchases mortgages from lenders, thereby allowing them to lend the proceeds to more homebuyers. The purchased loans are either retained in Freddie Mac's mortgage portfolio funded by the issuance of its debt securities (e.g., Freddie Mac Estate Notes); or grouped into pools to serve as collateral for mortgage-backed securities (e.g., FHLMC pass-throughs).

Freddie Mac's senior long-term debt is rated Aaa and AAA by Moody's Investors Service and Standard & Poor's, respectively

The interest income from Freddie Macs /S NOT generally exempt from state and local personal income taxes.

**INVESTMENT  
INSIGHTS**

**Perspective on FHLMCs vs. FHLBs**



The Federal Home Loan Bank System ("Home Loans" or "FHLB") was created

by Congress in 1932 and acts as a source of funds for its nearly 8,000 member banks. FHLB does not purchase home mortgages to the extent of Freddie Mac and Fannie Mae, but primarily lends money to homeowners through its member financial institutions.

FHLB System members include financial institutions which are shareholders in one of the 12 regional Federal Home Loan Banks; each regional bank being an individual corporate entity. The FHLB System is regulated by the Federal Housing Finance Board (FHFB) and the Office of Finance (OF). The Office of Finance's primary function is to issue and service all debt securities for the FHLBs, while obtaining the most cost-effective terms possible.

Federal Home Loan Bank's long-term debt securities are rated Aaa and AAA by Moody's Investors Service and Standard & Poor's, respectively.

The interest income from FHLBs /S generally exempt from state and local personal income taxes.

**Freddie Macs are not Home Loans! There are Differences with a Distinction ...**

	<u>FHLMC</u> 1970	<u>FHLB</u> 1932
<i>Year Established</i>	Yes	No
<i>Publicly Traded Equity</i>	Yes	No
<i>Re-sells Mortgages</i>	Yes	No
<i>Sells Estate Notes</i>	No	Yes
<i>State or Local Tax Exempt</i>	No	Yes