OFFERING CIRCULAR

6,000,000 Shares

Freddie Mac

5.7% Non-Cumulative Preferred Stock

Dividend Rate:	5.7%
Payment Dates:	March 31, June 30, September 30 and December 31, beginning December 31, 2001
Dividend Adjustment:	We will adjust the dividend if specified adverse changes to the dividends-received deduction occur before April 30, 2003
Optional Redemption:	On or after December 31, 2006
Liquidation Preference:	$50 per share plus current dividends
Issue Date:	October 30, 2001
Listing:	New York Stock Exchange (pending)

We alone are responsible for our obligations under and for making payments on the Preferred Stock. The Preferred Stock is not guaranteed by, and is not a debt or obligation of, the United States or any federal agency or instrumentality other than Freddie Mac.

	Initial Public Offering Price(1)	Underwriting Discount	Proceeds to Freddie Mac(1)(2)
Per Share	$50.00	$0.4375	$49.5625
Total	$300,000,000	$2,625,000	$297,375,000

(1) Plus any accrued dividends from October 30, 2001.
(2) Before deducting estimated expenses of $250,000.

Bear, Stearns & Co. Inc.

First Tennessee Bank NA **Lehman Brothers**

Deutsche Banc Alex. Brown **Goldman, Sachs & Co.** **Vining-Sparks IBG, L.P.**

The date of this Offering Circular is October 25, 2001.

The Underwriters may engage in transactions that affect the prices of the Preferred Stock, including over-allotment, stabilizing and short-covering transactions and the imposition of a penalty bid, in connection with the Offering. For a description of these activities, see *Underwriting*.

ADDITIONAL INFORMATION

You should read this Offering Circular together with:

- the Certificate of Creation, Designation, Powers, Preferences, Rights, Privileges, Qualifications, Limitations, Restrictions, Terms and Conditions (**"Certificate of Designation"**) for the 5.7% Non-Cumulative Preferred Stock (the **"Preferred Stock"**), which will be in substantially the form attached as *Appendix A*;

- our press release and unaudited financial statements issued on October 17, 2001 attached as *Appendix B*; and

- our Information Statement dated March 26, 2001 and our Information Statement Supplements dated May 15, 2001 and August 14, 2001 (together, the **"Information Statement"**).

This Offering Circular incorporates the Information Statement by reference, which means that we are disclosing information to you by referring to it rather than by providing you with a separate copy. It is considered part of this Offering Circular. We also furnish our common stockholders with annual reports containing financial information audited by independent public accountants and quarterly reports containing unaudited financial information. You can obtain copies of any of these documents by contacting us at:

Freddie Mac
Shareholder Relations Department
8200 Jones Branch Drive
McLean, Virginia 22102-3110
Telephone: 1-800-FREDDIE (800-373-3343)

Our Information Statement, Information Statement Supplements and annual report also are available on the "Shareholders" page of our Internet Website (http://www.freddiemac.com).

Because of applicable securities law exemptions, we have not registered the Preferred Stock with any federal or state securities commission. No securities commission has reviewed this Offering Circular.

Dividends paid on the Preferred Stock have no exemption under federal law from federal, state or local taxation.

Some jurisdictions may by law restrict the distribution of this Offering Circular and the offer, sale and delivery of the Preferred Stock. Persons who receive this Offering Circular should know about and observe any such restrictions.

SUMMARY

This summary contains selected information about the Preferred Stock. You should refer to the remainder of this Offering Circular for further information.

Issuer .... Federal Home Loan Mortgage Corporation or **"Freddie Mac,"** a shareholder-owned government-sponsored enterprise.

Securities Offered .... 6,000,000 shares of 5.7% Non-Cumulative Preferred Stock, with a $50 per share redemption price and liquidation preference.

Dividends:

Rate .... 5.7% per annum. Dividends will accrue from October 30, 2001.

Frequency................ We will pay non-cumulative dividends quarterly, when, as and if declared by our Board of Directors.

Payment Dates .... We will pay dividends on March 31, June 30, September 30 and December 31 of each year, or the next business day, beginning December 31, 2001.

DRD Protection .... If an amendment to the Internal Revenue Code of 1986 (the **"Code"**) enacted before April 30, 2003 reduces the percentage of the dividends-received deduction below 70%, we will increase the amount of dividends we pay on the Preferred Stock to offset the effect of that reduction. However, we will not make any adjustment to the extent that the percentage of the dividends-received deduction is reduced below 50%.

Preferences .... The Preferred Stock will receive a preference over our common stock and any other junior stock as to dividends and upon liquidation. The Preferred Stock will rank equally with our other currently outstanding series of preferred stock as to dividends and upon liquidation.

Optional Redemption .... Beginning on December 31, 2006 and at any time thereafter, we will have the option to redeem the Preferred Stock, in whole or in part, at the price of $50 per share plus the amount that would otherwise be payable as the dividend for the quarterly dividend period in which the redemption date falls, accrued through the redemption date.

Liquidation Rights .... If Freddie Mac is dissolved or liquidated, you will be entitled to receive, out of any assets available for distribution to our shareholders, up to $50 per share of Preferred Stock plus the dividend for the then-current quarterly dividend period accrued through the liquidation payment date.

Voting Rights	None, except in the case of specified changes in the terms of the Preferred Stock.
Preemptive and Conversion Rights	None.
Ratings	The Preferred Stock will be rated "Aa3" by Moody's Investors Service, Inc. (**"Moody's"**) and "AA-" by Standard & Poor's Credit Markets Services (**"S&P"**). See *Ratings*.
Use of Proceeds	We will use the proceeds for general corporate purposes, including the purchase of residential mortgages, the redemption of previously issued shares of preferred stock, the repayment of outstanding debt and the repurchase of outstanding shares of our stock.
Transfer Agent, Dividend Disbursing Agent and Registrar	EquiServe Trust Company, N.A.
Exchange Listing	We have applied to list the Preferred Stock on the New York Stock Exchange (the **"NYSE"**).

SUMMARY SELECTED FINANCIAL DATA

	At or for the Nine Months Ended September 30,		At or for the Year Ended December 31,				
	2001	2000	2000	1999	1998	1997	1996
	(dollars in millions, except per share amounts)						
BALANCE SHEET							
Retained portfolio[(1)]	$ 470,850	$361,624	$ 385,693	$ 324,443	$ 255,009	$ 164,421	$ 137,755
Total assets	$ 571,907	$433,346	$ 459,297	$ 386,684	$ 321,421	$ 194,597	$ 173,866
Primary capital base[(2)]	$ 15,300	$ 13,972	$ 15,621	$ 12,297	$ 11,603	$ 8,215	$ 7,411
Adjusted total capital base[(2)]	$ 18,422	$ 14,114	$ 15,766	$ 12,427	$ 11,765	$ 8,736	$ 7,901
NEW BUSINESS PURCHASE AND FINANCING ACTIVITIES							
New business purchases	$ 332,609	$137,035	$ 207,423	$ 272,472	$ 288,338	$ 121,490	$ 128,565
Number of new business purchases (# of loans)	2,005,129	989,705	1,465,280	2,058,330	2,396,651	1,085,046	1,232,540
PC issuances	$ 268,475	$110,187	$ 166,901	$ 233,031	$ 250,564	$ 114,258	$ 119,702
Total PCs	$ 927,490	$790,891	$ 822,310	$ 749,081	$ 646,459	$ 579,385	$ 554,260
INCOME STATEMENT							
Net interest income on earning assets	$ 3,400	$ 2,100	$ 2,838	$ 2,540	$ 1,927	$ 1,631	$ 1,542
Management and guarantee income	$ 1,206	$ 1,106	$ 1,489	$ 1,405	$ 1,307	$ 1,298	$ 1,249
Net income	$ 2,783	$ 1,884	$ 2,547	$ 2,223	$ 1,700	$ 1,395	$ 1,243
Earnings per common share:[(3)]							
Basic	$ 3.78	$ 2.52	$ 3.41	$ 2.97	$ 2.32	$ 1.90	$ 1.65
Diluted	$ 3.77	$ 2.51	$ 3.40	$ 2.96	$ 2.31	$ 1.88	$ 1.63
Dividends per common share	$ 0.60	$ 0.51	$ 0.68	$ 0.60	$ 0.48	$ 0.40	$ 0.35

(1) Excludes related purchase and sale premiums, discounts and deferred fees, reserve for losses on retained mortgages and net unrealized gain (loss) on available-for-sale guaranteed mortgage securities.
(2) See *Selected Financial Data* for the computation of the "Primary capital base" and "Adjusted total capital base."
(3) "Earnings per common share-Basic" are computed based on weighted average common shares outstanding. "Earnings per common share-Diluted" are computed based on the total of weighted average common shares outstanding and the effect of dilutive common equivalent shares outstanding.

FREDDIE MAC

Freddie Mac was chartered by Congress on July 24, 1970 under the Federal Home Loan Mortgage Corporation Act (the **"Freddie Mac Act"**). Our statutory purposes are:

- to provide stability in the secondary market for residential mortgages,
- to respond appropriately to the private capital market,
- 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
- to promote access to 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.

Our principal activity is the purchase and financing of single-family and multifamily mortgages. We finance our purchases of residential mortgages and mortgage securities with securitization financing and debt financing. Securitization financing involves the securitization of mortgages in the form of guaranteed mortgage pass-through securities. Debt financing involves the use of debt securities, other liabilities and equity capital to finance mortgages and mortgage-related securities we hold as portfolio investments. We also engage in other activities that help us to fulfill our statutory purposes. Neither the United States nor any agency or instrumentality of the United States other than Freddie Mac is obligated, either directly or indirectly, to fund our mortgage purchase or financing activities.

We are subject to two primary types of risk in the conduct of our business: credit risk associated with our total mortgage portfolio and the institutions with which we do business; and interest-rate risk and other market risks that principally result from mismatches between the maturities of the assets and liabilities associated with our mortgage portfolio. We also are subject to operational risk associated with losses that may occur due to human error, system failure, fraud or circumvention of internal controls. For a discussion of the impact and management of these risks, see *Management's Discussion and Analysis of Financial Condition and Results of Operations* in the Information Statement.

Our principal office is in McLean, Virginia. We have regional offices that are primarily responsible for the performance of various marketing activities and quality control procedures. These offices are located in Atlanta, Georgia; Chicago, Illinois; Dallas, Texas; McLean, Virginia; New York, New York and Woodland Hills, California.

A more detailed discussion of our business appears under *Business* in the Information Statement.

USE OF PROCEEDS

We will use the net proceeds from the sale of Preferred Stock for general corporate purposes, including the purchase of residential mortgages, the redemption of shares of preferred stock we have previously issued, the repayment of outstanding indebtedness and the repurchase of outstanding shares of our stock. The precise amounts and timing of the application of the proceeds will depend on our funding requirements.

We engage in financing transactions continuously. The amount and nature of these transactions are dependent on a number of factors, including the volume of mortgage prepayments and mortgages we purchase, as well as general market conditions.

CAPITALIZATION

The following table shows our capitalization at September 30, 2001 and as adjusted to reflect the sale of the Preferred Stock offered by this Offering Circular. You should read this table together with our financial statements and other information contained in the Information Statement.

	September 30, 2001 (unaudited)	
	Actual	As Adjusted[1]
	(dollars in millions)	
Debt securities, net:		
Due within one year	$244,639	$244,639
Due after one year	286,673	286,673
Total debt securities, net	531,312	531,312
Subordinated Borrowings	3,122	3,122
Stockholders' Equity[2]:		
Variable Rate, Non-Cumulative Preferred Stock, $1.00 par value and $50.00 redemption value[3]	250	250
6.125% Non-Cumulative Preferred Stock, $1.00 par value and $50.00 redemption value[4]	287	287
6.14% Non-Cumulative Preferred Stock, $1.00 par value and $50.00 redemption value[5]	600	600
5.81% Non-Cumulative Preferred Stock, $1.00 par value and $50.00 redemption value[6]	150	150
5% Non-Cumulative Preferred Stock, $1.00 par value and $50.00 redemption value[7]	400	400
Variable Rate, Non-Cumulative Preferred Stock, $1.00 par value and $50.00 redemption value[8]	220	220
5.1% Non-Cumulative Preferred Stock, $1.00 par value and $50.00 redemption value[8]	400	400
5.3% Non-Cumulative Preferred Stock, $1.00 par value and $50.00 redemption value[9]	200	200
5.1% Non-Cumulative Preferred Stock, $1.00 par value and $50.00 redemption value[10]	150	150
5.79% Non-Cumulative Preferred Stock, $1.00 par value and $50.00 redemption value[11]	250	250
Variable Rate, Non-Cumulative Preferred Stock, $1.00 par value and $50.00 redemption value[12]	288	288
Variable Rate, Non-Cumulative Preferred Stock, $1.00 par value and $50.00 redemption value[13]	325	325
Variable Rate, Non-Cumulative Preferred Stock, $1.00 par value and $50.00 redemption value[14]	230	230
5.81% Non-Cumulative Preferred Stock, $1.00 par value and $50.00 redemption value[15]	172	172
Variable Rate, Non-Cumulative Preferred Stock, $1.00 par value and $50.00 redemption value[16]	201	201
6% Non-Cumulative Preferred Stock, $1.00 par value and $50.00 redemption value[17]	173	173
5.7% Non-Cumulative Preferred Stock, $1.00 par value and $50.00 redemption value[18]	—	300
Common stock, $0.21 par value	152	152
Additional paid-in capital	412	409
Retained earnings	13,838	13,838
Accumulated other comprehensive income, net of taxes	(3,237)	(3,237)
Less: treasury stock, at cost	(955)	(955)
Total stockholders' equity	14,506	14,803
Total capitalization	$548,940	$549,237

(1) "As adjusted" reflects anticipated proceeds of $300 million from the issuance of 6 million shares of Preferred Stock, and the deduction of $3 million in estimated transaction costs. The actual costs may differ.
(2) Preferred stock amounts reflect redemption values as shown. Costs associated with the issuance of preferred stock are included in additional paid-in capital.
(3) Optional redemption on or after June 30, 2001.
(4) Optional redemption on or after December 31, 2001.
(5) Optional redemption on or after June 30, 2002.
(6) Optional redemption on or after October 27, 1998.
(7) Optional redemption on or after March 31, 2003.
(8) Optional redemption on or after September 30, 2003.
(9) Optional redemption on or after October 30, 2000.
(10) Optional redemption on or after March 31, 2004.
(11) Optional redemption on or after June 30, 2009.
(12) Optional redemption on December 31, 2004 and on December 31 every five years thereafter.
(13) Optional redemption on March 31, 2003 and on March 31 every two years thereafter.
(14) Optional redemption on March 31, 2003 and on March 31 every year thereafter.
(15) Optional redemption on or after March 31, 2011.
(16) Optional redemption on June 30, 2003 and on June 30 every two years thereafter.
(17) Optional redemption on or after June 30, 2006.
(18) Optional redemption on or after December 31, 2006.

See Notes 7 and 8 to the Consolidated Financial Statements included in the Information Statement for further information about our debt securities, subordinated borrowings and stockholders' equity.

We engage in transactions affecting stockholders' equity from time to time and we issue or retire debentures, notes and other debt obligations on an ongoing basis. In addition, management anticipates that Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended (**"SFAS 133"**), which we implemented on January 1, 2001, may increase, perhaps materially, the volatility of both "Net income" and "Total stockholders' equity" in future periods. Accordingly, on any date after September 30, 2001, stockholders' equity may differ, and the amount of debt obligations outstanding will differ, and may differ substantially, from the figures contained in this capitalization table.

SELECTED FINANCIAL DATA

We have summarized or derived the following selected financial data for the years 1996 through 2000 from our audited consolidated financial statements or our internal accounting records. These data should be read in conjunction with the audited consolidated financial statements and notes to consolidated financial statements that are presented in our Information Statement. We have summarized or derived the following selected financial data for the nine months ended September 30, 2001 and September 30, 2000 from our unaudited condensed consolidated financial statements or from internal accounting records. In management's opinion, these data include all adjustments necessary for a fair presentation. Adjustments included in the table are of a normal, recurring nature, other than the cumulative effect of change in accounting principle as a result of the adoption of SFAS No. 133, which required us to recognize all derivatives on our balance sheet as either assets or liabilities measured at their fair value beginning on January 1, 2001.

	At or for the Nine Months Ended September 30,		At or for the Year Ended December 31,				
	2001	2000	2000	1999	1998	1997	1996
	(dollars in millions, except per share amounts)						
Operating Data(1)							
Operating earnings	$ 2,301	$ 1,884	$ 2,547	$ 2,223	$ 1,700	$ 1,395	$ 1,243
Operating earnings per common share — diluted	$ 3.07	$ 2.51	$ 3.40	$ 2.96	$ 2.31	$ 1.88	$ 1.63
Operating return on realized common equity(2)	23.4%	23.1%	22.9%	23.8%	24.6%	23.4%	22.7%
Operating revenues	$ 4,125	$ 3,298	$ 4,457	$ 4,055	$ 3,337	$ 3,029	$ 2,875
Reported Data(3)							
Balance Sheet							
Retained portfolio(4)	$ 470,850	$361,624	$ 385,693	$ 324,443	$ 255,009	$ 164,421	$ 137,755
Total assets	$ 571,907	$433,346	$ 459,297	$ 386,684	$ 321,421	$ 194,597	$ 173,866
Debt securities, net	$ 531,312	$406,794	$ 426,754	$ 360,581	$ 287,234	$ 172,321	$ 156,491
Total liabilities(5)	$ 553,812	$419,566	$ 443,865	$ 374,602	$ 309,978	$ 186,154	$ 166,271
Capital base:							
Stockholders' equity	$ 14,506	$ 13,192	$ 14,837	$ 11,525	$ 10,835	$ 7,521	$ 6,731
Reserve for mortgage losses(6)	794	780	784	772	768	694	680
Primary capital base	15,300	13,972	15,621	12,297	11,603	8,215	7,411
Subordinated borrowings	3,122	142	145	130	162	521	490
Adjusted total capital base	$ 18,422	$ 14,114	$ 15,766	$ 12,427	$ 11,765	$ 8,736	$ 7,901
Total PCs	$ 927,490	$790,891	$ 822,310	$ 749,081	$ 646,459	$ 579,385	$ 554,260
Freddie Mac PCs held in the retained portfolio	$ 291,646	$231,649	$ 246,209	$ 211,198	$ 168,108	$ 103,400	$ 81,195
Total mortgage portfolio	$1,106,694	$920,866	$ 961,794	$ 862,326	$ 733,360	$ 640,406	$ 610,820
New Business Purchase and Financing Activities							
New business purchases	$ 332,609	$137,035	$ 207,423	$ 272,472	$ 288,338	$ 121,490	$ 128,565
Number of new business purchases (# of loans)	2,005,129	989,705	1,465,280	2,058,330	2,396,651	1,085,046	1,232,540
PC issuances	$ 268,475	$110,187	$ 166,901	$ 233,031	$ 250,564	$ 114,258	$ 119,702
Structured securitizations(7)	$ 122,363	$ 34,271	$ 48,202	$ 119,565	$ 135,162	$ 84,366	$ 34,145
Income Statement and Ratios							
Net interest income on earning assets	$ 3,400	$ 2,100	$ 2,838	$ 2,540	$ 1,927	$ 1,631	$ 1,542
Management and guarantee income	$ 1,206	$ 1,106	$ 1,489	$ 1,405	$ 1,307	$ 1,298	$ 1,249
Total revenues	$ 4,859	$ 3,298	$ 4,457	$ 4,055	$ 3,337	$ 3,029	$ 2,875
Income before income taxes, extraordinary items and cumulative effect of change in accounting principle	$ 4,116	$ 2,610	$ 3,534	$ 3,161	$ 2,356	$ 1,964	$ 1,797
Net income	$ 2,783	$ 1,884	$ 2,547	$ 2,223	$ 1,700	$ 1,395	$ 1,243
Earnings per common share:(8)							
Basic	$ 3.78	$ 2.52	$ 3.41	$ 2.97	$ 2.32	$ 1.90	$ 1.65
Diluted	$ 3.77	$ 2.51	$ 3.40	$ 2.96	$ 2.31	$ 1.88	$ 1.63
Dividends per common share	$ 0.60	$ 0.51	$ 0.68	$ 0.60	$ 0.48	$ 0.40	$ 0.35
Dividend payout ratio on common stock(9)	15.97%	20.30%	20.03%	20.14%	20.65%	21.08%	21.26%
Return on total equity(10)	26.8%	20.7%	20.2%	20.3%	19.4%	19.5%	19.7%
Return on average assets(11)	0.72%	0.61%	0.61%	0.64%	0.70%	0.77%	0.80%
Equity to assets ratio(12)	2.68%	2.97%	3.01%	3.16%	3.60%	3.93%	4.05%
Ratio of earnings to fixed charges(13)	1.19:1	1.14:1	1.14:1	1.16:1	1.16:1	1.17:1	1.19:1
Ratio of earnings to combined fixed charges and preferred stock dividends(13)	1.18:1	1.13:1	1.13:1	1.14:1	1.15:1	1.16:1	1.18:1

(1) Based on Freddie Mac's supplemental performance measure. See *Operating Earnings* in the Information Statement for more information.

(2) Calculated quarterly as annualized operating net income less preferred stock dividends divided by average realized common stockholders' equity ("Common Stockholders' equity" excluding "Accumulated Other Comprehensive Income, Net of Taxes" ("AOCI")). 1997 and 1996 ratios are calculated on an annualized basis.

(3) Based on accounting principles generally accepted in the U.S. ("GAAP").

(4) Excludes related purchase and sale premiums, discounts and deferred fees, reserve for losses on retained mortgages and net unrealized gain (loss) on available-for-sale guaranteed mortgage securities.

(5) Excludes "Reserve for Losses on Mortgage Participation Certificates" and "Subordinated borrowings."

(6) "Reserve for losses on retained mortgages" plus the "Reserve for Losses on Mortgage Participation Certificates."

(7) Includes issuances of mortgage-related securities in which the cash flows are structured into various classes having a variety of features, the majority of which qualify for treatment as Real Estate Mortgage Investment Conduits ("REMICs") under the Internal Revenue Code.

(8) "Earnings per common share-basic" are computed based on weighted average common shares outstanding. "Earnings per common share-diluted" are computed based on the total of weighted average common shares outstanding and the effect of dilutive common equivalent shares outstanding.

(9) Annual computation reflects the simple average of quarterly ratios. Quarterly ratios are computed as dividends paid divided by "Net income available to common stockholders."

(10) Annual computation reflects the simple average of quarterly returns. Quarterly returns are computed as annualized "Net income" divided by the simple average of the beginning and ending balances of "Stockholders' equity."

(11) Annual computation reflects the simple average of quarterly returns. Quarterly returns are computed as annualized "Net income" divided by the simple average of the beginning and ending balances of "Total assets."

(12) Annual computation reflects the simple average of quarterly ratios. Quarterly ratios are computed as the simple average of the beginning and ending "Stockholders' equity" divided by the simple average of the beginning and ending "Total assets."

(13) Earnings consist of "Income before taxes, extraordinary items and cumulative effect of change in accounting principle" plus fixed charges. Fixed charges include interest (including amounts capitalized) and the portion of net rental expense deemed representative of interest. The ratios of Freddie Mac's earnings to fixed charges and earnings to combined fixed charges and preferred stock dividends were 1.22:1 and 1.20:1, respectively, for the quarter ended September 30, 2001.

REGULATION AND GOVERNMENTAL RELATIONSHIPS

From time to time, our statutory, structural and regulatory relationships with the federal government may be subject to review or modification. While our status as a government-sponsored enterprise is often advantageous, proposals have been advanced that could adversely affect the fulfillment of our statutory purposes, as well as our results of operations. A more detailed discussion of our regulatory and governmental relationships appears under *Regulation and Governmental Relationships* in the Information Statement.

DESCRIPTION OF PREFERRED STOCK

The Preferred Stock will have the terms shown in the Certificate of Designation attached as *Appendix A*. The following is a summary of those terms.

General

Section 306(f) of the Freddie Mac Act authorizes us to issue an unlimited number of shares of preferred stock. The shares of Preferred Stock we are offering will have a par value of $1.00 per share and will be created by the Certificate of Designation.

Equiserve Trust Company, N.A. will be the transfer agent, dividend disbursing agent and registrar for the Preferred Stock.

Authorized Issuance

Our Board of Directors has authorized us to issue the shares of Preferred Stock. The Board may increase the authorized number of shares at any time, without the consent of the holders of Preferred Stock. We may "reopen" this offering at any time by offering additional shares of the Preferred Stock at prices to be determined at that time.

Dividends

General

Dividends on shares of the Preferred Stock are not mandatory. If you own shares of Preferred Stock, you will be entitled to receive non-cumulative, quarterly cash dividends which will accrue from but not including October 30, 2001 and will be payable on March 31, June 30, September 30 and December 31 of each year (each, a **"Dividend Payment Date"**), beginning on December 31, 2001. Dividends on shares of the Preferred Stock will accrue at an annual rate of $2.85 per share. However, dividends are payable only if declared by our Board of Directors in its sole discretion, out of funds legally available for dividend payments.

If a Dividend Payment Date is not a Business Day, the related dividend will be paid on the next Business Day with the same effect as though paid on the Dividend Payment Date, without any increase to account for the period from the Dividend Payment Date through the date of actual payment. **"Business Day"** means a day other than (a) Saturday or Sunday, (b) a day on which New York City banks are closed or (c) a day on which our offices are closed. We will make dividend payments to holders of record on the record date established by our Board of Directors, which will be from 10 to 45 days before the applicable Dividend Payment Date.

If we declare a dividend for the December 31, 2001 Dividend Payment Date, that initial dividend, which will be for the **"Dividend Period"** from but not including October 30, 2001 through and including December 31, 2001, will be $0.475 per share and will be payable on December 31, 2001. Thereafter, the **"Dividend Period"** relating to a Dividend Payment Date will be the period from but not including the preceding Dividend Payment Date through and including the related Dividend Payment Date.

We will compute the amount of dividends payable on the Preferred Stock for any period shorter than a full Dividend Period on the basis of twelve 30-day months and a 360-day year. We will compute any dividends payable on the Preferred Stock for each full Dividend Period by dividing the annual dividend by four. If we redeem the Preferred Stock, we will include the dividend that would otherwise be payable for the Dividend Period in which the redemption date falls, accrued through the redemption date, in the redemption price of the shares redeemed. We will not pay this dividend to you separately.

Preferences and Limitations

The Preferred Stock will rank prior to our Voting Common Stock, par value $0.21 per share (the **"Common Stock"**), with respect to dividends, as provided in the Certificate of Designation for the Preferred Stock. We will not declare or pay any dividend on the Common Stock or any other junior stock unless dividends have been declared and paid or set apart, or ordered to be set apart, on the Preferred Stock for the then-current Dividend Period. The Preferred Stock will rank equally with respect to dividends with our currently outstanding classes of Preferred Stock (the **"Existing Preferred Stock"**), which are listed in Section 1 of the Certificate of Designation.

Dividends on the Preferred Stock are not cumulative. If we do not pay a dividend on the Preferred Stock, the holders of the Preferred Stock will have no claim to a payment as long as we do not pay a dividend for the then-current period on our Common Stock, any other junior stock, or the Existing Preferred Stock.

Our Board of Directors may, in its discretion, choose to pay dividends on the Preferred Stock without paying dividends on the Common Stock.

We offer and sell subordinated debt. The terms of the subordinated debt that we currently offer provide for the deferral of interest payments under certain specified circumstances of financial distress. The terms of the subordinated debt prohibit the payment of dividends on our stock, including the Preferred Stock, during any period when we have deferred paying interest on such subordinated debt.

We will not declare or pay any dividends on the Preferred Stock if at the same time any arrears or default exists in the payment of dividends on any outstanding class or series of our stock ranking prior to the Preferred Stock with respect to the payment of dividends. At the time of issuance of the Preferred Stock, no class or series of our stock ranking prior to the Preferred Stock will exist.

Holders of shares of the Preferred Stock will not be entitled to any dividends, whether payable in cash or property, other than as described above and will not be entitled to interest, or any sum in lieu of interest, in respect of any dividend payment.

See *Regulatory Matters* below for a description of possible regulatory restrictions on our ability to pay dividends.

Changes in the Dividends-Received Percentage

General

If one or more amendments to the Code enacted before April 30, 2003 reduce the percentage of the dividends-received deduction (currently 70%) as specified in section 243(a)(1) of the Code or any successor provision (the **"Dividends-Received Percentage"**), we will make certain adjustments in the dividends payable on the Preferred Stock, and Post Declaration Date Dividends and Retroactive Dividends may become payable, as described below.

We will adjust the amount of each dividend per share of Preferred Stock for dividend payments made on or after the effective date of such a change in the Code, by multiplying the amount of the dividend payable as described above under *Dividends — General* (before adjustment) by a factor, which will be the number determined in accordance with the following formula (the **"DRD Formula"**), and rounding the result to the nearest cent (with one-half cent rounded up):

$$\frac{1\text{-}.35(1\text{-}.70)}{1\text{-}.35(1\text{-DRP})}$$

For the purposes of the DRD Formula, **"DRP"** means the Dividends-Received Percentage (expressed as a decimal) applicable to the dividend in question; however, if the Dividends-Received Percentage applicable to the dividend in question is less than 50%, then the DRP will equal .50. No amendment to the Code, other than a change in the percentage of the dividends-received deduction in section 243(a)(1) of the Code or any successor provision, or a change in the percentage of the dividends-received deduction for certain categories of stock that is applicable to the Preferred Stock, will give rise to an adjustment.

No adjustment in the dividends will be made, and no Post Declaration Date Dividends or Retroactive Dividends will be payable, as a result of any amendment to the Code enacted on or after April 30, 2003.

If we receive either an unqualified opinion of nationally recognized independent tax counsel or a private letter ruling or similar form of assurance from the Internal Revenue Service (the **"IRS"**) that an amendment does not apply to a dividend payable on the Preferred Stock, then the amendment will not result in an adjustment, in Post Declaration Date Dividends or in Retroactive Dividends. Any opinion of counsel must be based upon the legislation amending or establishing the DRP or upon a published pronouncement of the IRS. Unless the context otherwise requires, references to dividends in this Offering Circular will mean dividends as adjusted by the DRD Formula. Our calculation of the dividends as so adjusted will be final.

If we adjust the amount of dividends or if we are going to pay Post Declaration Date Dividends or Retroactive Dividends, we will notify you of that fact.

Post Declaration Date Dividends

If an amendment to the Code as described above is enacted after the dividend payable on a Dividend Payment Date has been declared but before that dividend is paid, the amount of the dividend payable will not be increased. Instead, additional dividends (**"Post Declaration Date Dividends"**) equal to the excess of:

- the product of the dividend we paid on that Dividend Payment Date and the DRD Formula (where the DRP used in the DRD Formula would be equal to the greater of the Dividends-Received Percentage applicable to the dividend in question and .50), over
- the dividend we paid on that Dividend Payment Date

will be payable, if declared, to holders of Preferred Stock on the record date applicable to the next succeeding Dividend Payment Date, in addition to any other amounts payable on that date.

Retroactive Dividends

If an amendment to the Code as described above is enacted and the reduction in the Dividends-Received Percentage retroactively applies to a Dividend Payment Date on which we previously paid dividends on the Preferred Stock (an **"Affected Dividend Payment Date"**), we will pay, if declared, additional dividends (**"Retroactive Dividends"**) to holders of Preferred Stock on the record date applicable to the next succeeding Dividend Payment Date — or, if the amendment is enacted after the dividend payable on such Dividend Payment Date has been declared, to holders of Preferred Stock on the record date applicable to the second succeeding Dividend Payment Date following the date of enactment. The Retroactive Dividends will equal the excess of:

- the product of the dividend we paid on each Affected Dividend Payment Date and the DRD Formula (where the DRP used in the DRD Formula would be equal to the greater of the Dividends-Received Percentage and .50 applied to each Affected Dividend Payment Date), over
- the sum of the dividends we paid on each Affected Dividend Payment Date.

We will make only one payment of Retroactive Dividends for any such amendment.

Optional Redemption

The Preferred Stock will not be redeemable before December 31, 2006. At any time on or after that date, we may redeem the Preferred Stock, in whole or in part, out of legally available funds. The redemption price will be $50.00 per share plus an amount equal to the amount of the dividend that would otherwise be payable for the Dividend Period in which the redemption date falls, accrued through the redemption date. If we redeem less than all of the outstanding shares of the Preferred Stock, we will select shares to be redeemed by lot or pro rata (as nearly as possible) or by any other method which we deem equitable.

We will give notice of optional redemption by mail to holders of the Preferred Stock from 30 days to 60 days before the redemption date. Each notice will state the number of shares of Preferred Stock being redeemed, the redemption price, the redemption date and the place at which a holder's Preferred Stock certificates must be presented for redemption.

On and after the redemption date, the shares of Preferred Stock called for redemption will no longer be deemed outstanding, and all rights of the holders of those shares will cease.

The terms of our currently offered subordinated debt prohibit us from redeeming our stock, including the Preferred Stock, during any period when we have deferred paying interest on the subordinated debt. The terms of the subordinated debt provide for the deferral of interest payments under certain specified circumstances of financial distress.

See *Regulatory Matters* below for a description of possible regulatory restrictions on our ability to redeem the Preferred Stock.

No Preemptive Rights and No Conversion

As a holder of Preferred Stock, you will not have any preemptive right to purchase or subscribe for any other shares, rights, options or other securities. You will not have any right to convert your shares into or exchange your shares for any other class or series of our stock or obligations.

No Voting Rights

Section 306(f) of the Freddie Mac Act prohibits the holders of Preferred Stock from voting for the election of any member of our Board of Directors. Except as described under *Amendments* below, as a holder you will not be entitled to vote.

Liquidation Rights

If Freddie Mac voluntarily or involuntarily dissolves, liquidates or winds up our business, then, after payment of or provision for our liabilities and the expenses of dissolution, liquidation or winding up, the holders of the outstanding shares of the Preferred Stock will be entitled to receive out of our assets available for distribution to stockholders, before any payment or distribution is made on the Common Stock or any other junior stock, $50.00 per share plus an amount equal to the dividend for the then-current quarterly Dividend Period accrued through and including the date of the liquidation payment.

In the event of our dissolution, liquidation or winding up, the rights of the Preferred Stock rank equally with those of the Existing Preferred Stock. If our assets available for distribution to shareholders are insufficient to pay in full the aggregate amount payable to holders of the Preferred Stock, the Existing Preferred Stock and any other class or series of stock of equal priority upon liquidation, the assets will be distributed to the holders of Preferred Stock, the Existing Preferred Stock and such other stock pro rata, based on the amounts to which they are entitled.

Notwithstanding the foregoing, holders of the Preferred Stock will not be entitled to be paid any amount in respect of our dissolution, liquidation or winding up until holders of any classes or series of our stock ranking prior to the Preferred Stock upon liquidation have been paid all amounts to which they are entitled.

Our consolidation, merger or combination with or into any other corporation or entity, or the sale of all or substantially all of our property or business, will not constitute a liquidation, dissolution or winding up for purposes of these provisions on liquidation rights.

Additional Classes or Series of Stock

We will have the right to create and issue additional classes or series of stock ranking prior to, equally with or junior to the Preferred Stock, as to dividends, liquidation or otherwise, without the consent of holders of the Preferred Stock.

Amendments

Without the consent of the holders of the Preferred Stock, we will have the right to amend the Certificate of Designation to cure any ambiguity, to correct or supplement any term which may be defective or inconsistent with any other term or to make any other provisions so long as the amendment does not materially and adversely affect the interests of the holders of the Preferred Stock. Otherwise, we may amend the Certificate of Designation only with the consent of the holders of at least two-thirds of the outstanding shares of Preferred Stock. On matters requiring consent, each holder will be entitled to one vote per share.

NYSE Listing

We have applied to list the Preferred Stock on the NYSE. Approval of our application will be subject, among other things, to satisfactory distribution of the Preferred Stock.

REGULATORY MATTERS

Neither our right to declare dividends on nor our right to redeem the Preferred Stock is currently subject to prior regulatory approval. Under the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (the **"GSE Act"**), our ability to exercise these rights may be subject to regulatory approval only if we fail to meet applicable capital standards.

The GSE Act established our minimum capital, critical capital and risk-based capital standards.

The GSE Act has required that we maintain "core capital" in an amount that equals or exceeds the levels established under the minimum and critical capital standards since the GSE Act was enacted in 1992. In June 1996, the Director (the **"Director"**) of the Office of Federal Housing Enterprise Oversight (**"OFHEO"**) issued a final minimum capital regulation that interprets the minimum capital standard and implements a calculation methodology similar to the methodology OFHEO applied on an interim basis since the GSE Act was enacted.

The GSE Act does not require us to maintain "total capital" at a level that equals or exceeds the risk-based capital standard until the Director issues a final risk-based capital regulation establishing the risk-based capital stress test (the risk-based capital level cannot be determined from the GSE Act alone).

On September 13, 2001, OFHEO published its final risk-based capital rule in the Federal Register. That publication triggered a one-year period before the risk-based capital rule may be incorporated into OFHEO's classification of the capital adequacy of Freddie Mac and Fannie Mae. During this implementation period, Freddie Mac and Fannie Mae are to be classified as adequately capitalized, the highest capital classification, so long as they meet the minimum capital standard. Freddie Mac anticipates that when the risk-based capital rule becomes operative at the end of the one-year implementation period Freddie Mac will continue to be classified at the highest possible classification, as it has been since OFHEO began classifying Freddie Mac in 1993. The risk-based capital rule is flexible enough for Freddie Mac to use many strategies to meet the rule's capital requirements.

Subject to the applicability of the risk-based capital standard described above, we may pay a dividend without prior OFHEO approval if the payment would not decrease our total capital to an amount less than our risk-based capital level and would not decrease the core capital level to an amount less than our minimum capital level. Beginning one year after the final risk-based capital regulation is issued, if our total capital is less than the risk-based capital level, but our core capital equals or exceeds the minimum capital level, we are prohibited from making a dividend payment that would decrease our core capital to an amount less than the minimum capital level. At any time, if our core capital is less than the minimum capital level, we may make a dividend payment only if the dividend payment satisfies certain statutory standards and would not decrease our core capital to less than the critical capital level and if the Director approves the payment.

In addition to the preceding requirements that relate directly to the payment of dividends, the Director has authority, under certain conditions, to require that we submit for the Director's approval a capital restoration plan or that we restrict our activities, either of which also could affect the payment of dividends. Specifically, if the Director determines, after the risk-based capital regulation has been in effect for one year, that we fail to meet the risk-based capital standard, or if the Director determines, at any time, that we fail to meet the minimum capital standard, we will be required to submit for the Director's approval a capital restoration plan setting forth a feasible plan for restoring our capital level. In addition, if we at any time fail to meet the minimum capital standard, the Director is authorized to impose various limitations on our activities. If, at any time, the Director determines that we fail to meet the critical capital standard, the Director may appoint a conservator.

If the Director does not approve a required capital restoration plan or determines that we have failed to make reasonable efforts to comply with such a plan, then the Director may treat us as not meeting capital standards that we otherwise meet and take the actions authorized when we do not meet such standards. Similarly, beginning one year after OFHEO issues a final risk-based capital regulation, if the Director determines that we are engaging in conduct not approved by the Director that could result in a rapid depletion of core capital or that the value of the property subject to mortgages we hold or have securitized has decreased significantly, the Director is authorized to treat us as not meeting capital standards that we otherwise meet.

If we fail to meet or are treated by the Director as not meeting applicable capital standards and the Director has reasonable cause to believe that we are engaging in or about to engage in any conduct (which could include the payment of dividends) that threatens to result in a material depletion of our core capital, then the Director is authorized to commence proceedings under which, after a hearing, the Director could issue a cease-and-desist order prohibiting such conduct. If we meet all applicable capital standards and the Director determines that the conduct in question is likely to cause a significant depletion of core capital, the Director is authorized to commence proceedings under which, after a hearing, the Director could issue a cease-and-desist order prohibiting such conduct. In addition, regardless of whether we meet applicable capital standards, if the Director determines that such conduct is likely to cause a significant depletion of core capital, insolvency or otherwise cause irreparable harm to Freddie Mac, the Director can issue a temporary cease-and-desist order without a hearing, which would be effective until completion of the cease-and-desist proceedings.

The Director has the authority to require us to submit a report to the Director regarding any capital distribution (including any dividend) declared by us before we make the distribution.

The foregoing discussion with respect to the payment of dividends is equally applicable to our redemption of the Preferred Stock and is based on our understanding and interpretations of the relevant provisions of the GSE Act. OFHEO has not yet issued any definitive guidance as to its interpretations of these provisions of the GSE Act. Until OFHEO has provided such guidance, we cannot be certain that the foregoing discussion will be consistent with OFHEO's interpretation in every respect. A more detailed discussion of the regulatory oversight of our capitalization and the terms used above appears under *Management's Discussion and Analysis of Financial Condition and Results of Operations — REGULATORY MATTERS — Capital Standards* in the Information Statement.

CERTAIN FEDERAL INCOME TAX CONSEQUENCES

The Preferred Stock and payments on it are generally subject to taxation by the United States and other taxing jurisdictions to the same extent as stock of any other corporation. The following discussion addresses some of the U.S. federal income tax consequences that may result from ownership of the Preferred Stock by a U.S. person who holds the Preferred Stock as a capital asset.

For this purpose, a U.S. person is an individual who is a citizen or resident of the United States for federal income tax purposes, a corporation, partnership or other type of entity organized under the laws of the United States or any State (other than a partnership that is not treated as a U.S. person under any applicable Treasury regulations), an estate whose income is subject to U.S. federal income tax regardless of its source, or a trust if a court within the United States is able to exercise primary supervision of the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust. Notwithstanding the preceding sentence, to the extent provided in Treasury regulations, certain trusts in existence on August 20, 1996, and treated as U.S. persons prior to such date, that elect to continue to be treated as U.S. persons, also will be U.S. persons.

This discussion does not purport to address all rules which may apply to particular investors. Investors are encouraged to consult their own tax advisors regarding the federal, state, local and foreign tax considerations applicable to an investment in the Preferred Stock.

This discussion reflects current federal income tax laws and regulations and administrative and judicial interpretations. Changes to any of these that occur after the date of this Offering Circular may affect the tax consequences that we describe.

Dividends

Distributions on the Preferred Stock which are paid out of current earnings and profits, or earnings and profits accumulated after 1984, generally constitute dividends taxable as ordinary income. To the extent that the amount of any distribution paid on a share of Preferred Stock exceeds the current or accumulated earnings and profits for federal income tax purposes attributable to that share, such excess will be treated first as a return of capital (rather than as ordinary income) and will be applied against and reduce the holder's adjusted tax basis in that share of Preferred Stock. Any such amount in excess of the holder's adjusted tax basis will then be taxed as capital gain. For purposes of the remainder of this discussion, it is assumed that dividends paid with respect to the Preferred Stock will constitute dividends for U.S. federal income tax purposes.

Dividends received by corporations generally will be eligible for the dividends-received deduction. The dividends-received deduction is available only with respect to a dividend received on stock held for more than 45 days (or more than 90 days in the case of a dividend on preferred stock attributable to periods aggregating in excess of 366 days), including the day of disposition but not the day of acquisition. This holding period must be satisfied during the 90-day period (180-day period in the case of a preferred stock dividend attributable to periods aggregating in excess of 366 days) beginning on the date which is 45 (90) days before the date on which the stock becomes ex-dividend with respect to the dividend. The length of time that a corporate shareholder is deemed to have held stock for these purposes is reduced for periods during which the shareholder's risk of loss with respect to the stock is diminished by reason of the existence of certain options, contracts to sell, short sales or other similar transactions. The amount of such deduction generally will equal 70 percent of the amount of the dividends received, subject to reduction in certain events, including where a holder has indebtedness outstanding that is directly attributable to an investment in the Preferred Stock. For this purpose, indebtedness of a depository institution attributable to deposits received in the ordinary course of its business is not treated as indebtedness directly attributable to an investment in the Preferred Stock.

For purposes of the corporate alternative minimum tax, alternative minimum taxable income is increased by 75 percent of the amount by which a corporation's adjusted current earnings exceeds its alternative minimum taxable income prior to the addition of the applicable tax preference item. The amount of any dividend that is included in a corporate shareholder's adjusted current earnings will not be reduced by any dividends-received deduction otherwise allowable with respect to that dividend.

Dispositions, Including Redemptions

Any sale, exchange, redemption (except as discussed below) or other disposition of the Preferred Stock generally will result in taxable gain or loss equal to the difference between the amount received and the shareholder's adjusted tax basis in the Preferred Stock. Such gain or loss generally will be capital gain or loss and will be long-term capital gain or loss if the holding period for the Preferred Stock exceeds one year.

A redemption of Preferred Stock may be treated as a dividend, rather than as payment in exchange for the Preferred Stock, unless the redemption is "not essentially equivalent to a dividend" with respect to the holder within the meaning of section 302(b)(1) of the Code. In applying this standard, the holder must take into account not only the Preferred Stock and other stock of Freddie Mac that it owns directly, but also the Preferred Stock and other stock of Freddie Mac that it constructively owns within the meaning of section 318 of the Code. A redemption payment made to a holder will be "not essentially equivalent to a dividend" if it results in a "meaningful reduction" in the holder's aggregate stock interest in Freddie Mac. Because of the ambiguities in applying this rule, each holder should consult its own tax advisor to determine whether a redemption of Preferred Stock will be treated as a dividend or as payment in exchange for the Preferred Stock. If the redemption payment is treated as a dividend, the rules discussed above under *Dividends* apply.

Information Reporting and Backup Withholding

Payments of dividends on shares of Preferred Stock held of record by U.S. persons other than corporations and other exempt holders are required to be reported to the IRS.

Backup withholding of U.S. federal income tax may apply to payments made with respect to shares of Preferred Stock, as well as payments of proceeds from the sale of shares of Preferred Stock, to holders that are not "exempt recipients" and that fail to provide certain identifying information (such as the taxpayer identification number of the holder) in the manner required. Individuals generally are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients. The backup withholding rate for 2001 is 30.5 percent; for 2002 and 2003 is 30 percent; for 2004 and 2005 is 29 percent; and for 2006 and thereafter is 28 percent.

LEGAL INVESTMENT CONSIDERATIONS

You should consult your own legal advisors to determine whether the shares of Preferred Stock constitute legal investments for you and whether the shares of Preferred Stock can be used as collateral for borrowings. In addition, financial institutions should consult their legal advisors or regulators in determining the appropriate treatment of the shares of Preferred Stock under risk-based capital or similar rules.

If you are subject to legal investment laws and regulations or to review by regulatory authorities, you may be subject to restrictions on investing in the shares of Preferred Stock. Institutions regulated by the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, the National Credit Union Administration, the 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 the shares of Preferred Stock.

UNDERWRITING

Under the terms of an underwriting agreement (the **"Underwriting Agreement"**), we have agreed to sell to the Underwriters named below, and the Underwriters, for whom Bear, Stearns & Co. Inc. is acting as representative, have severally agreed to purchase from us, the shares of Preferred Stock opposite their names.

Underwriter	Number of Shares of Preferred Stock
Bear, Stearns & Co. Inc.	3,300,000
First Tennessee Bank National Association	900,000
Lehman Brothers Inc.	900,000
Deutsche Banc Alex. Brown Inc.	300,000
Goldman, Sachs & Co.	300,000
Vining-Sparks IBG, L.P.	300,000
Total	6,000,000

The Underwriting Agreement requires the Underwriters to take and pay for all of the shares of Preferred Stock, if any are taken.

The Underwriters propose to offer a portion of the Preferred Stock directly to the public at the initial offering price shown on the cover page of this Offering Circular, plus accrued dividends, if any, from October 30, 2001, and a portion to certain dealers at that price less a concession of not more than $0.0875 per share. The Underwriters may allow, and the dealers may reallow, a concession of not more than $0.2625 per share on sales to certain brokers and dealers. After the shares of Preferred Stock are released for sale to the public, the Underwriters may vary the offering price and other selling terms.

Until this offering, there has been no public market for the Preferred Stock. We have applied to list the Preferred Stock on the NYSE. Trading of the Preferred Stock on the NYSE is expected to commence within a fourteen-day period after the initial delivery of the Preferred Stock. The Underwriters have advised us that they intend to make a market in the Preferred Stock prior to the commencement of trading on the NYSE, but are not obliged to do so and may discontinue any such market making at any time without notice.

In connection with the offering, the Underwriters may purchase and sell the Preferred Stock in the open market. These transactions may include over-allotment and stabilizing transactions and purchases to cover syndicate short positions created in connection with the offering. Stabilizing transactions consist of certain bids or purchases for the purpose of preventing or retarding a decline in the market price of the Preferred Stock. Syndicate short positions involve the sale by the Underwriters of a greater number of shares of Preferred Stock than they are required to purchase from us in the offering. The Underwriters also may impose a penalty bid, whereby selling concessions allowed to syndicate members or other broker-dealers for securities sold in the offering for their account may be reclaimed by the syndicate if such shares of Preferred Stock are repurchased by the Underwriters in stabilizing or covering transactions. These activities may stabilize, maintain or otherwise affect the market price of the Preferred Stock, which may be higher than the price that might otherwise prevail in the open market; and these activities, if commenced, may be discontinued at any time. These transactions may be effected in the over-the-counter market or otherwise.

We and the Underwriters have agreed to indemnify each other against certain liabilities in connection with the offering and sale of the Preferred Stock.

Some of the Underwriters, dealers or agents may engage in transactions with us and perform services for us in the ordinary course of business.

RATINGS

Moody's will assign the Preferred Stock a rating of "Aa3." A rating of "Aa" is the second highest rating that Moody's assigns to preferred stock and long-term debt. An issue which is rated "Aa" is considered by Moody's to be "high quality by all standards." According to Moody's, long-term debt and preferred stock rated Aa, together with issues rated Aaa, "comprise what are generally known as high-grade bonds." The numerical modifier "3" indicates that the issue ranks in the lower end of the generic rating category of "Aa."

S&P will assign the Preferred Stock a rating of "AA−." A rating of "AA" is the second highest rating that S&P assigns to preferred stock. An issue which is rated "AA" is considered by S&P to be a "high-quality, fixed-income security." According to S&P, this rating indicates that "the capacity to pay preferred stock dividends is very strong, although not as overwhelming as for issues rated AAA." The addition of the minus (−) sign indicates that the issue ranks in the lower end of the generic rating category "AA."

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating organization.

INDEPENDENT PUBLIC ACCOUNTANTS

The Consolidated Financial Statements of Freddie Mac included in the Information Statement dated March 26, 2001, incorporated by reference in this Offering Circular, have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their reports with respect thereto, and are included herein in reliance upon the authority of said firm as experts in giving said reports.

LEGAL MATTERS

Maud Mater, Esq., our Executive Vice President-General Counsel and Secretary, will render an opinion on the legality of the Preferred Stock. As of October 15, 2001, Ms. Mater was the beneficial owner of 98,628 shares of Common Stock and options covering an additional 143,180 shares of Common Stock. Cleary, Gottlieb, Steen & Hamilton is representing the Underwriters on legal matters concerning the Preferred Stock.

Appendix A

FREDDIE MAC

CERTIFICATE OF CREATION, DESIGNATION, POWERS, PREFERENCES, RIGHTS, PRIVILEGES, QUALIFICATIONS, LIMITATIONS, RESTRICTIONS, TERMS AND CONDITIONS of 5.7% NON-CUMULATIVE PREFERRED STOCK (Par Value $1.00 Per Share)

I, MAUD MATER, Secretary of the Federal Home Loan Mortgage Corporation, a government-sponsored enterprise of the United States of America ("Freddie Mac" or the "Corporation"), do hereby certify that, pursuant to authority vested in the Board of Directors of Freddie Mac by Section 306(f) of the Federal Home Loan Mortgage Corporation Act, as amended (12 U.S.C. §1455(f)), the Board of Directors adopted FHLMC Resolution 2001-03 on March 2, 2001 and adopted FHLMC Resolution 2001-32 on September 7, 2001, which resolutions are now, and at all times since such dates have been, in full force and effect, and that the Chairman and Chief Executive Officer, pursuant to the authority delegated to him by such resolutions, approved the final terms of the public issuance and sale of the preferred stock of Freddie Mac designated above.

The 5.7% Non-Cumulative Preferred Stock shall have the following designation, powers, preferences, rights, privileges, qualifications, limitations, restrictions, terms and conditions:

1. Designation, Par Value, Number of Shares and Seniority

The class of preferred stock of Freddie Mac created hereby (the "Non-Cumulative Preferred Stock") shall be designated "5.7% Non-Cumulative Preferred Stock," shall have a par value of $1.00 per share and shall consist of 6,000,000 shares. The Board of Directors shall be permitted to increase the authorized number of such shares at any time. The Non-Cumulative Preferred Stock shall rank prior to the Voting Common Stock of Freddie Mac (the "Common Stock") to the extent provided in this Certificate and shall rank, both as to dividends and upon liquidation, on a parity with the 6% Non-Cumulative Preferred Stock issued on May 30, 2001, the Variable Rate, Non-Cumulative Preferred Stock issued on May 30, 2001 and June 1, 2001, the 5.81% Non-Cumulative Preferred Stock issued on March 23, 2001, the Variable Rate, Non-Cumulative Preferred Stock issued on March 23, 2001, the Variable Rate, Non-Cumulative Preferred Stock issued on January 26, 2001, the Variable Rate, Non-Cumulative Preferred Stock issued on November 5, 1999, the 5.79% Non-Cumulative Preferred Stock issued on July 21, 1999, the 5.1% Non-Cumulative Preferred Stock issued on March 19, 1999, the 5.3% Non-Cumulative Preferred Stock issued on October 28, 1998, the 5.1% Non-Cumulative Preferred Stock issued on September 23, 1998, the Variable Rate, Non-Cumulative Preferred Stock issued on September 23, 1998 and September 29, 1998, the 5% Non-Cumulative Preferred Stock issued on March 23, 1998, the 5.81% Non-Cumulative Preferred Stock issued on October 27, 1997, the 6.14% Non-Cumulative Preferred Stock issued on June 3, 1997, the 6.125% Non-Cumulative Preferred Stock issued on November 1, 1996 and the Variable Rate, Non-Cumulative Preferred Stock issued on April 26, 1996 (collectively, the "Existing Preferred Stock").

2. Dividends

(a) The holders of outstanding shares of Non-Cumulative Preferred Stock shall be entitled to receive, ratably, when, as and if declared by the Board of Directors, in its sole discretion, out of funds legally available therefor, non-cumulative cash dividends at the annual rate of 5.7%, or $2.85, per share of Non-Cumulative Preferred Stock. Dividends on the Non-Cumulative Preferred Stock shall accrue from but not including October 30, 2001 and are payable when, as and if declared by the Board of Directors quarterly on March 31, June 30, September 30 and December 31 of each year (each, a "Dividend Payment Date") commencing on December 31, 2001. If a Dividend Payment Date is not a "Business Day," the related dividend shall be paid on the next Business Day with the same force and effect as though paid on the Dividend Payment Date, without any increase to account for the period from such Dividend Payment Date through the date of actual payment. "Business Day" means a day other than (i) a Saturday or Sunday, (ii) a day on which New York City banks are closed or (iii) a day on which the offices of Freddie Mac are closed. The "Dividend Period" relating to a Dividend Payment Date shall be the period from but not including the preceding Dividend Payment Date (or from but not including October 30, 2001 in the case of the first Dividend Payment Date) through and including the related Dividend Payment Date. The dividend payable in respect of the first Dividend Period will be $0.475 per share. The amount of dividends payable in respect of any quarterly Dividend Period other than the first Dividend Period shall be computed at a rate equal to 5.7% divided by 4; the amount of dividends payable in respect of any shorter period shall be computed on the basis of twelve 30-day months and a 360-day year. Each such dividend shall be paid to the holders of record of outstanding shares of the Non-Cumulative Preferred Stock as they appear in the books and records of Freddie Mac on such record date as shall be fixed in advance by the Board of Directors, not to be earlier than 45 days nor later than 10 days preceding the applicable Dividend Payment Date. No dividends shall be declared or paid or set apart for payment on the Common Stock or any other class or series of stock ranking junior to or (except as hereinafter provided) on a parity with the Non-Cumulative Preferred Stock with respect to the payment of dividends unless dividends have been declared and paid or set apart (or ordered by the Board of Directors to be set apart) for payment on the outstanding Non-Cumulative Preferred Stock in respect of the then-current Dividend Period; provided, however, that the foregoing dividend preference shall not be cumulative and shall not in any way create any claim or right in favor of the holders of Non-Cumulative Preferred Stock in the event that Freddie Mac shall not have declared or paid or set apart (or the Board of Directors shall not have ordered to be set apart) dividends on the Non-Cumulative Preferred Stock in respect of any prior Dividend Period. In the event that Freddie Mac shall not pay any one or more dividends or any part thereof on the Non-Cumulative Preferred Stock, the holders of the Non-Cumulative Preferred Stock shall not have any claim in respect of such non-payment so long as no dividend is paid on any junior or parity stock in violation of the next preceding sentence.

(b) If, prior to April 30, 2003, one or more amendments to the Internal Revenue Code of 1986, as amended (the "Code"), are enacted that reduce or eliminate the percentage of the dividends-received deduction as specified in section 243(a)(1) of the Code or any successor provision (the "Dividends-Received Percentage"), including any change applicable only to certain categories of stock, which change is applicable to the Non-Cumulative Preferred Stock, certain adjustments may be made in respect of the dividends payable by the Corporation, and Post Declaration Date Dividends and Retroactive Dividends (as such terms are defined below) may become payable, as described below.

The amount of each dividend payable (if declared) per share of Non-Cumulative Preferred Stock for dividend payments made on or after the effective date of such change in the Code will be adjusted by multiplying the amount of the dividend payable pursuant to Section 2(a) (before adjustment) by a factor, which shall be the number determined in accordance with the following formula (the "DRD Formula"), and rounding the result to the nearest cent (with one-half cent rounded up):

$$\frac{1-.35(1-.70)}{1-.35(1-\text{DRP})}$$

For the purposes of the DRD Formula, "DRP" means the Dividends-Received Percentage (expressed as a decimal) applicable to the dividend in question; *provided, however,* that if the Dividends-Received Percentage applicable to the dividend in question is less than 50%, then the DRP will equal .50. No amendment to the Code, other than a change in the percentage of the dividends-received deduction set forth in section 243(a)(1) of the Code or any successor provision, or a change in the percentage of the dividends-received deduction for certain categories of stock, which change is applicable to the Non-Cumulative Preferred Stock, will give rise to an adjustment.

Notwithstanding the foregoing provisions, if, with respect to any such amendment, the Corporation receives either an unqualified opinion of nationally recognized independent tax counsel selected by the Corporation or a private letter ruling or similar form of assurance from the Internal Revenue Service (the "IRS") to the effect that such an amendment does not apply to a dividend payable on the Non-Cumulative Preferred Stock, then such amendment shall not result in the adjustment provided for pursuant to the DRD Formula with respect to such dividend. The opinion referenced in the previous sentence shall be based upon the legislation amending or establishing the DRP or upon a published pronouncement of the IRS addressing such legislation. Unless the context otherwise requires, references to dividends herein shall mean dividends as adjusted by the DRD Formula. The Corporation's calculation of the dividends payable as so adjusted shall be final and not subject to review, absent manifest error.

Notwithstanding the foregoing, if any such amendment to the Code is enacted after the dividend payable on a Dividend Payment Date has been declared but before such dividend is paid, the amount of the dividend payable on such Dividend Payment Date shall not be increased. Instead, additional dividends (the "Post Declaration Date Dividends"), equal to the excess, if any, of (x) the product of the dividend paid by the Corporation on such Dividend Payment Date and the DRD Formula (where the DRP used in the DRD Formula would be equal to the greater of the Dividends-Received Percentage applicable to the dividend in question and .50) over (y) the dividend paid by the Corporation on such Dividend Payment Date, shall be payable (if declared) to holders of Non-Cumulative Preferred Stock on the record date applicable to the next succeeding Dividend Payment Date, in addition to any other amounts payable on such date.

If any such amendment to the Code is enacted and the reduction in the Dividends-Received Percentage retroactively applies to a Dividend Payment Date as to which the Corporation previously paid dividends on the Non-Cumulative Preferred Stock (each, an "Affected Dividend Payment Date"), the Corporation shall pay (if declared) additional dividends (the "Retroactive Dividends") to holders on the record date applicable to the next succeeding Dividend Payment Date (or, if such amendment is enacted after the dividend payable on such Dividend Payment Date has been declared, to holders on the record date applicable to the second succeeding Dividend Payment Date following the date of enactment) in an amount equal to the excess of (x) the product of the dividend paid by the Corporation on each Affected Dividend Payment Date and the DRD Formula (where the DRP used in the DRD Formula would be equal to the greater of the Dividends-Received Percentage and .50 applied to each Affected Dividend Payment Date) over (y) the sum of the dividend paid by the Corporation on each Affected Dividend Payment Date. The Corporation will make only one payment of Retroactive Dividends for any such amendment. Notwithstanding the foregoing provisions, if, with respect to any such amendment, the Corporation receives either an unqualified opinion of nationally recognized independent tax counsel selected by the Corporation or a private letter ruling or similar form of assurance from the IRS to the effect that such amendment does not apply to a dividend payable on an Affected Dividend Payment Date for the Non-Cumulative Preferred Stock, then such amendment will not result in the payment of Retroactive Dividends with respect to such Affected Dividend Payment Date. The opinion referenced in the previous sentence must be based upon the legislation amending or establishing the DRP or upon a published pronouncement of the IRS addressing such legislation.

In the event that the amount of dividends payable per share of the Non-Cumulative Preferred Stock is adjusted pursuant to the DRD Formula and/or Post Declaration Date Dividends or Retroactive Dividends are to be paid, the Corporation will give notice of each such adjustment and, if applicable, any Post Declaration Date Dividends and Retroactive Dividends to be given as soon as practicable to the holders of Non-Cumulative Preferred Stock.

(c) Notwithstanding any other provision of this Certificate, the Board of Directors, in its discretion, may choose to pay dividends on the Non-Cumulative Preferred Stock without the payment of any dividends on the Common Stock or any other class or series of stock from time to time outstanding ranking junior to the Non-Cumulative Preferred Stock with respect to the payment of dividends.

(d) No dividend shall be declared or paid or set apart for payment on any shares of the Non-Cumulative Preferred Stock if at the same time any arrears or default exists in the payment of dividends on any outstanding class or series of stock of Freddie Mac ranking prior to or (except as provided herein) on a parity with the Non-Cumulative Preferred Stock with respect to the payment of dividends. If and whenever dividends, having been declared, shall not have been paid in full, as aforesaid, on shares of the Non-Cumulative Preferred Stock and on the shares of any other class or series of stock of Freddie Mac ranking on a parity with the Non-Cumulative Preferred Stock with respect to the payment of dividends, all such dividends that have been declared on shares of the Non-Cumulative Preferred Stock and on the shares of any such other class or series shall be paid pro rata, so that the respective amounts of dividends paid per share on the Non-Cumulative Preferred Stock and on such other class or series shall in all cases bear to each other the same ratio that the respective amounts of dividends declared but unpaid per share on the shares of the Non-Cumulative Preferred Stock (including any adjustments due to changes in the Dividends-Received Percentage) and on the shares of such other class or series bear to each other.

(e) Holders of shares of the Non-Cumulative Preferred Stock shall not be entitled to any dividends, in cash or in property, other than as herein provided and shall not be entitled to interest, or any sum in lieu of interest, on or in respect of any dividend payment.

3. Optional Redemption

(a) The Non-Cumulative Preferred Stock shall not be redeemable prior to December 31, 2006. Subject to this limitation and the notice provisions set forth in Section 3(b) below and to any further limitations which may be imposed by law, Freddie Mac may redeem the Non-Cumulative

Preferred Stock, in whole or in part, at any time or from time to time, out of funds legally available therefor, at the redemption price of $50.00 per share plus an amount, determined in accordance with Section 2 above, equal to the amount of the dividend, if any, otherwise payable for the then-current Dividend Period accrued through and including the date of such redemption. If less than all of the outstanding shares of the Non-Cumulative Preferred Stock are to be redeemed, Freddie Mac shall select shares to be redeemed from the outstanding shares not previously called for redemption by lot or pro rata (as nearly as possible) or by any other method which Freddie Mac in its sole discretion deems equitable.

(b) In the event Freddie Mac shall redeem any or all of the Non-Cumulative Preferred Stock as aforesaid, notice of such redemption shall be given by Freddie Mac by first class mail, postage prepaid, mailed neither less than 30 nor more than 60 days prior to the redemption date, to each holder of record of the shares of the Non-Cumulative Preferred Stock being redeemed, at such holder's address as the same appears in the books and records of Freddie Mac. Each such notice shall state the number of shares being redeemed, the redemption price, the redemption date and the place at which such holder's certificate(s) representing shares of the Non-Cumulative Preferred Stock must be presented for cancellation or exchanges, as the case may be, upon such redemption. Failure to give notice, or any defect in the notice, to any holder of the Non-Cumulative Preferred Stock shall not affect the validity of the proceedings for the redemption of shares of any other holder of the Non-Cumulative Preferred Stock being redeemed.

(c) Notice having been mailed as aforesaid, from and after the redemption date specified therein and upon payment of the consideration set forth in Section 3(a) above, said shares of the Non-Cumulative Preferred Stock shall no longer be deemed to be outstanding, and all rights of the holders thereof as holders of the Non-Cumulative Preferred Stock shall cease, with respect to shares so redeemed.

(d) Any shares of the Non-Cumulative Preferred Stock which shall have been redeemed shall, after such redemption, no longer have the status of authorized, issued or outstanding shares.

4. No Voting Rights

Except as set forth in Section 9(h) below, the shares of the Non-Cumulative Preferred Stock shall not have any voting powers, either general or special.

5. No Conversion or Exchange Rights

The holders of shares of the Non-Cumulative Preferred Stock shall not have any right to convert such shares into or exchange such shares for any other class or series of stock or obligations of Freddie Mac.

6. No Preemptive Rights

No holder of the Non-Cumulative Preferred Stock shall as such holder have any preemptive right to purchase or subscribe for any other shares, rights, options or other securities of any class of Freddie Mac which at any time may be sold or offered for sale by Freddie Mac.

7. Liquidation Rights and Preference

(a) Except as otherwise set forth herein, upon the voluntary or involuntary dissolution, liquidation or winding up of Freddie Mac, after payment of or provision for the liabilities of Freddie Mac and the expenses of such dissolution, liquidation or winding up, the holders of the outstanding shares of the Non-Cumulative Preferred Stock shall be entitled to receive out of the assets of Freddie Mac available for distribution to stockholders, before any payment or distribution shall be made on the Common Stock or any other class or series of stock of Freddie Mac ranking junior to the Non-Cumulative Preferred Stock upon liquidation, the amount of $50.00 per share plus an amount, determined in accordance with Section 2 above, equal to the dividend, if any, otherwise payable for the then-current Dividend Period accrued through and including the date of payment in respect of such dissolution, liquidation or winding up, and the holders of the outstanding shares of any class or series of stock of Freddie Mac ranking on a parity with the Non-Cumulative Preferred Stock upon liquidation shall be entitled to receive out of the assets of Freddie Mac available for distribution to stockholders, before any such payment or distribution shall be made on the Common Stock or any other class or series of stock of Freddie Mac ranking junior to the Non-Cumulative Preferred Stock and to such parity stock upon liquidation, any corresponding preferential amount to which the holders of such parity stock may, by the terms thereof, be entitled; provided, however, that if the assets of Freddie Mac available for distribution to stockholders shall be insufficient for the payment of the full amounts to which the holders of the outstanding shares of the Non-Cumulative Preferred Stock and the holders of the outstanding shares of such parity stock shall be entitled to receive upon such dissolution, liquidation or winding up of Freddie Mac as aforesaid, then, subject to paragraph (b) of this Section 7, all of the assets of Freddie Mac available for distribution to stockholders shall be distributed to the holders of outstanding shares of the Non-Cumulative Preferred Stock and to the holders of outstanding shares of such parity stock pro rata, so that the amounts so distributed to holders of the Non-Cumulative Preferred Stock and to holders of such classes or series of such parity stock, respectively, shall bear to each other the same ratio that the respective distributive amounts to which they are so entitled (including any adjustment due to changes in the Dividends-Received Percentage) bear to each other. After the payment of the aforesaid amounts to which they are entitled, the holders of outstanding shares of the Non-Cumulative Preferred Stock and the holders of outstanding shares of any such parity stock shall not be entitled to any further participation in any distribution of assets of Freddie Mac.

(b) Notwithstanding the foregoing, upon the dissolution, liquidation or winding up of Freddie Mac, the holders of shares of the Non-Cumulative Preferred Stock then outstanding shall not be entitled to be paid any amounts to which such holders are entitled pursuant to paragraph (a) of this Section 7 unless and until the holders of any classes or series of stock of Freddie Mac ranking prior upon liquidation to the Non-Cumulative Preferred Stock shall have been paid all amounts to which such classes or series are entitled pursuant to their respective terms.

(c) Neither the sale of all or substantially all of the property or business of Freddie Mac, nor the merger, consolidation or combination of Freddie Mac into or with any other corporation or entity, shall be deemed to be a dissolution, liquidation or winding up for the purpose of this Section 7.

8. Additional Classes or Series of Stock

The Board of Directors shall have the right at any time in the future to authorize, create and issue, by resolution or resolutions, one or more additional classes or series of stock of Freddie Mac, and to determine and fix the distinguishing characteristics and the relative rights, preferences, privileges and other terms of the shares thereof. Any such class or series of stock may rank prior to or on a parity with or junior to the Non-Cumulative Preferred Stock as to dividends or upon liquidation or otherwise.

9. Miscellaneous

(a) Any stock of any class or series of Freddie Mac shall be deemed to rank:

(i) prior to the shares of the Non-Cumulative Preferred Stock, either as to dividends or upon liquidation, if the holders of such class or series shall be entitled to the receipt of dividends or of amounts distributable upon dissolution, liquidation or winding up of Freddie Mac, as the case may be, in preference or priority to the holders of shares of the Non-Cumulative Preferred Stock;

(ii) on a parity with shares of the Non-Cumulative Preferred Stock, either as to dividends or upon liquidation, whether or not the dividend rates or amounts, dividend payment dates or redemption of liquidation prices per share, if any, be different from those of the Non-Cumulative Preferred Stock, if the holders of such class or series shall be entitled to the receipt of dividends or of amounts distributable upon dissolution, liquidation or winding up of Freddie Mac, as the case may be, in proportion to their respective dividend rates or amounts or liquidation prices, without preference or priority, one over the other, as between the holders of such class or series and the holders of shares of the Non-Cumulative Preferred Stock; and

(iii) junior to shares of the Non-Cumulative Preferred Stock, either as to dividends or upon liquidation, if such class or series shall be Common Stock, or if the holders of shares of the Non-Cumulative Preferred Stock shall be entitled to receipt of dividends or of amounts distributable upon dissolution, liquidation or winding up of Freddie Mac, as the case may be, in preference or priority to the holders of shares of such class or series.

(b) Freddie Mac and any agent of Freddie Mac may deem and treat the holder of a share or shares of Non-Cumulative Preferred Stock, as shown in Freddie Mac's books and records, as the absolute owner of such share or shares of Non-Cumulative Preferred Stock for the purpose of receiving payment of dividends in respect of such share or shares of Non-Cumulative Preferred Stock and for all other purposes whatsoever, and neither Freddie Mac nor any agent of Freddie Mac shall be affected by any notice to the contrary. All payments made to or upon the order of any such person shall be valid and, to the extent of the sum or sums so paid, effectual to satisfy and discharge liabilities for moneys payable by Freddie Mac on or with respect to any such share or shares of Non-Cumulative Preferred Stock.

(c) The shares of the Non-Cumulative Preferred Stock, when duly issued, shall be fully paid and non-assessable.

(d) The Non-Cumulative Preferred Stock shall be issued, and shall be transferable on the books of Freddie Mac, only in whole shares, it being intended that no fractional interests in shares of Non-Cumulative Preferred Stock shall be created or recognized by Freddie Mac.

(e) For purposes of this Certificate, the term "Freddie Mac" means the Federal Home Loan Mortgage Corporation and any successor thereto by operation of law or by reason of a merger, consolidation or combination.

(f) This Certificate and the respective rights and obligations of Freddie Mac and the holders of the Non-Cumulative Preferred Stock with respect to such Non-Cumulative Preferred Stock shall be construed in accordance with and governed by the laws of the United States, provided that the law of the Commonwealth of Virginia shall serve as the federal rule of decision in all instances except where such law is inconsistent with Freddie Mac's enabling legislation, its public purposes or any provision of this Certificate.

(g) Any notice, demand or other communication which by any provision of this Certificate is required or permitted to be given or served to or upon Freddie Mac shall be given or served in writing addressed (unless and until another address shall be published by Freddie Mac) to Freddie Mac, 8200 Jones Branch Drive, McLean, Virginia 22102, Attn: Executive Vice President-General Counsel and Secretary. Such notice, demand or other communication to or upon Freddie Mac shall be deemed to have been sufficiently given or made only upon actual receipt of a writing by Freddie Mac. Any notice, demand or other communication which by any provision of this Certificate is required or permitted to be given or served by Freddie Mac hereunder may be given or served by being deposited first class, postage prepaid, in the United States mail addressed (i) to the holder as such holder's name and address may appear at such time in the books and records of Freddie Mac or (ii) if to a person or entity other than a holder of record of the Non-Cumulative Preferred Stock, to such person or entity at such address as appears to Freddie Mac to be appropriate at such time. Such notice, demand or other communication shall be deemed to have been sufficiently given or made, for all purposes, upon mailing.

(h) Freddie Mac, by or under the authority of the Board of Directors, may amend, alter, supplement or repeal any provision of this Certificate pursuant to the following terms and conditions:

(i) Without the consent of the holders of the Non-Cumulative Preferred Stock, Freddie Mac may amend, alter, supplement or repeal any provision of this Certificate to cure any ambiguity, to correct or supplement any provision herein which may be defective or inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising under this Certificate, provided that such action shall not materially and adversely affect the interests of the holders of the Non-Cumulative Preferred Stock.

(ii) The consent of the holders of at least 66 2/3% of all of the shares of the Non-Cumulative Preferred Stock at the time outstanding, given in person or by proxy, either in writing or by a vote at a meeting called for the purpose at which the holders of shares of the Non-Cumulative Preferred Stock shall vote together as a class, shall be necessary for authorizing, effecting or validating the amendment, alteration, supplementation or repeal of the provisions of this Certificate if such amendment, alteration, supplementation or repeal would materially and adversely affect the powers, preferences, rights, privileges, qualifications, limitations, restrictions, terms or conditions of the Non-Cumulative Preferred Stock. The creation and issuance of any other class or series of stock, or the issuance of additional shares of any existing class or series of stock of Freddie Mac (including the Non-Cumulative Preferred Stock), whether ranking prior to, on a parity with or junior to the Non-Cumulative Preferred Stock, shall not be deemed to constitute such an amendment, alteration, supplementation or repeal.

(iii) Holders of the Non-Cumulative Preferred Stock shall be entitled to one vote per share on matters on which their consent is required pursuant to subparagraph (ii) of this paragraph (h). In connection with any meeting of such holders, the Board of Directors shall fix a record date, neither earlier than 60 days nor later than 10 days prior to the date of such meeting, and holders of record of shares of the Non-Cumulative Preferred Stock on such record date shall be entitled to notice of and to vote at any such meeting and any adjournment. The Board of Directors, or such person or persons as it may designate, may establish reasonable rules and procedures as to the solicitation of the consent of holders of the Non-Cumulative Preferred Stock at any such meeting or otherwise, which rules and procedures shall conform to the requirements of any national securities exchange on which the Non-Cumulative Preferred Stock may be listed at such time.

(i) RECEIPT AND ACCEPTANCE OF A SHARE OR SHARES OF THE NON-CUMULATIVE PREFERRED STOCK BY OR ON BEHALF OF A HOLDER SHALL CONSTITUTE THE UNCONDITIONAL ACCEPTANCE BY THE HOLDER (AND ALL OTHERS HAVING BENEFICIAL OWNERSHIP OF SUCH SHARE OR SHARES) OF ALL OF THE TERMS AND PROVISIONS OF THIS CERTIFICATE. NO SIGNATURE OR OTHER FURTHER MANIFESTATION OF ASSENT TO THE TERMS AND PROVISIONS OF THIS CERTIFICATE SHALL BE NECESSARY FOR ITS OPERATION OR EFFECT AS BETWEEN FREDDIE MAC AND THE HOLDER (AND ALL SUCH OTHERS).

IN WITNESS WHEREOF, I have hereunto set my hand and the seal of Freddie Mac this 30th day of October, 2001.

[Seal]

____

Maud Mater, *Secretary*

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October 17, 2001
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NewsRelease

Freddie Mac

FREDDIE MAC ANNOUNCES RECORD EARNINGS FOR THIRD QUARTER 2001

Third Quarter 2001 Operating Earnings Per Share Up 26 Percent

McLean, VA—Freddie Mac (NYSE:FRE) today announced operating earnings for third quarter 2001 of $813 million, compared to $645 million for the same period a year ago and $769 million for second quarter 2001. Diluted operating earnings per common share were $1.08 for third quarter 2001, a 26 percent increase over third quarter 2000 diluted operating earnings per common share of $0.86.

Freddie Mac's operating earnings and operating earnings per share exclude certain accounting effects related to SFAS 133, "Accounting for Derivative Instruments and Hedging Activities," as amended. Reported net income and diluted earnings per share for third quarter 2001, which include these derivative accounting effects, were $1.032 billion and $1.40, respectively.

"We are all saddened by the terrible events of September 11," said Leland C. Brendsel, Chairman and Chief Executive Officer. "As a leader in the housing finance system, Freddie Mac again proved to be a rock of stability, providing an uninterrupted supply of mortgage funds. Even with greater uncertainty in the economy, Freddie Mac is well positioned to produce mid-teens earnings growth in 2002."

"Excellent portfolio and revenue growth combined with stellar credit performance contributed to 26 percent earnings growth during the third quarter," added David W. Glenn, Vice Chairman and President. "We achieved record total portfolio growth of nearly $60 billion during the quarter. Additionally, annualized credit losses remained less than 1 basis point of our total portfolio."

(more)

Highlights for third quarter 2001 include:

- Record new business purchase volume of $126 billion, up 125 percent from $56 billion for third quarter 2000.
- Record total mortgage portfolio growth of $59 billion, representing 23 percent annualized growth.
- Retained portfolio growth of $27 billion, representing 24 percent annualized growth.
- Record Total PC growth of $54 billion, representing 25 percent annualized growth.
- Fully taxable equivalent (FTE) operating net interest yield of 0.80 percent, up 3 basis points from second quarter 2001.
- Stable single-family delinquency rate of 0.36 percent.
- Stable credit losses of $14 million, representing annualized losses of 0.6 basis points of the average total mortgage portfolio.

Portfolio Growth

Freddie Mac's total mortgage portfolio grew at a 23 percent annualized rate from $1.048 trillion at June 30, 2001 to $1.107 trillion at September 30, 2001. This growth was driven by new business purchase volume (which excludes purchases of Freddie Mac PCs for the retained portfolio) of $126 billion in third quarter 2001, up from $56 billion for third quarter 2000 and unchanged from $126 billion in second quarter 2001.

The retained portfolio grew at a 24 percent annualized rate, increasing from $444 billion at June 30, 2001 to $471 billion at September 30, 2001. The Total PC portfolio grew at a 25 percent annualized rate from $874 billion at June 30, 2001 to $928 billion at September 30, 2001.

(more)

Operating Revenues

Freddie Mac's operating revenues reached $1.499 billion in third quarter 2001, a 33 percent increase over $1.125 billion for third quarter 2000, and up from $ 1.379 billion for second quarter 2001. Operating revenues include operating net interest income (defined below) but exclude SFAS 133-related changes in derivative market values, which are reported on Freddie Mac's Income Statement as "Fair value gains (losses)." Reported revenues for third quarter 2001 were $1.837 billion.

Operating Net Interest Margin

Operating net interest income reflects adjustments to reported net interest income to exclude certain accounting effects associated with SFAS 133. These adjustments include the recognition of straight-line amortization expense on purchased option premiums. Operating net interest income totaled $1.015 billion in third quarter 2001, compared to $737 million for third quarter 2000 and $904 million for second quarter 2001. The increase in operating net interest income from second quarter 2001 was driven by a $23 billion, or 5 percent, increase in the average balance of the retained portfolio. Reported net interest income for third quarter 2001 was $1.320 billion.

FTE operating net interest yield on earning assets was 0.80 percent in third quarter 2001, compared to 0.77 percent for both third quarter 2000 and second quarter 2001.

Guarantee Fees

Management and guarantee fee income totaled $416 million in third quarter 2001, compared to $372 million for third quarter 2000 and $398 million for second quarter 2001. During third quarter 2001, the average balance of Total PCs increased by $52 billion, or 6 percent from second quarter 2001, while the average guarantee fee rate was 18.5 basis points, compared to 19.2 basis points for the same quarter a year ago and 18.8 basis points for second quarter 2001.

Other Income, Net

In third quarter 2001, Other income, net totaled $68 million, compared to $16 million for third quarter 2000 and $77 million for second quarter 2001. Other income, net, which generally includes resecuritization fees and gains and losses related to certain investment activities, may fluctuate from period to period.

(more)

Credit

Third quarter 2001 credit-related expenses (the provision for mortgage losses plus REO operations expense) totaled $18 million, compared to $21 million for third quarter 2000 and $18 million for second quarter 2001. The provision for mortgage losses was $10 million for third quarter 2001, unchanged from both third quarter 2000 and second quarter 2001.

Annualized third quarter 2001 credit losses (charge-offs plus REO operations expense) were 0.6 basis points of the average total mortgage portfolio (excluding non-Freddie Mac mortgage securities), compared to 0.8 basis points in third quarter 2000 and 0.6 basis points in second quarter 2001.

In third quarter 2001, mortgage charge-offs were $6 million, unchanged from both third quarter 2000 and second quarter 2001. Third quarter 2001 single-family charge-offs were $7 million, compared to $7 million for third quarter 2000 and $8 million for second quarter 2001. Multifamily recoveries were $1 million in third quarter 2001, compared to recoveries of $1 million in third quarter 2000 and $2 million in second quarter 2001.

At September 30, 2001, total REO balances were $376 million, compared to $364 million at September 30, 2000 and $366 million at June 30, 2001. Single-family REO balances were $375 million at September 30, 2001, compared to $363 million at both September 30, 2000 and June 30, 2001. Multifamily REO balances were $1 million at September 30, 2001, compared to $1 million at September 30, 2000 and $3 million at June 30, 2001.

The August 2001 delinquency rate for single-family, at-risk mortgages was 0.36 percent, compared to 0.35 percent in September 2000 and 0.36 percent in June 2001.

Delinquent multifamily balances were $6 million at the end of August, compared to $17 million at September 30, 2000 and $4 million at June 30, 2001. As a percentage of the unpaid principal balance of multifamily mortgages serviced, the multifamily delinquency rate was 0.02 percent at the end of August, compared to 0.09 percent at September 30, 2000 and 0.02 percent at June 30, 2001.

(more)

Administrative Expenses

Third quarter 2001 administrative expenses totaled $201 million, compared to $180 million for third quarter 2000 and $194 million for second quarter 2001. Annualized administrative expenses represented 7.5 basis points of the average total mortgage portfolio in third quarter 2001, compared to 8.0 basis points in third quarter 2000 and 7.6 basis points in second quarter 2001.

Capital

The corporation's total capital (regulatory core capital plus the reserve for mortgage losses) totaled $18.537 billion at September 30, 2001, compared to $14.646 billion at September 30, 2000 and $17.661 billion at June 30, 2001.

Extraordinary Item

Freddie Mac incurred a $65 million after-tax loss (or $0.09 per diluted common share) and a $3 million after-tax gain (no impact on a diluted common share basis) during third quarter 2001 and third quarter 2000, respectively, as a result of the repurchase of debt. During second quarter 2001, Freddie Mac incurred a $35 million after-tax loss (or $0.05 per diluted common share) on the repurchase of debt.

Business Outlook

Freddie Mac expects to deliver operating earnings growth of about 23 percent in 2001. The corporation has increased its expectation for net retained portfolio growth in 2001 to be in the range of $90 billion to $105 billion. In addition, Freddie Mac expects its average operating net interest yield for 2001 to be about 0.78 percent.

The corporation also expects that its average guarantee fee rate will be about 18.7 basis points in 2001. Freddie Mac anticipates that credit-related expenses for 2001 will be lower than previously expected. Specifically, the corporation expects 2001 credit-related expenses to be less than $90 million.

In 2002, Freddie Mac expects operating earnings growth in the mid-teens. The corporation also anticipates retained portfolio growth in the mid-teens next year. In addition, Freddie Mac expects its average operating net interest yield for 2002 to be stable, or close to the average for 2001. Finally, the corporation expects credit losses to increase somewhat from their current historical lows, but remain below 2 basis points of its average portfolio.

(more)

Conference Call

Freddie Mac will host a conference call discussing the corporation's third quarter 2001 results today at 4 p.m. eastern time. The conference call will be Web cast live on Freddie Mac's Web site at http://www.freddiemac.com.

A telephone recording of this conference call will be available continuously beginning at 10:15 p.m. eastern time Wednesday, October 17, 2001 until midnight Wednesday, October 31, 2001. To access this recording, call 1-800-475-6701 and use access code 605241.

* * * *

Freddie Mac's quarterly announcements of earnings results sometimes contain forward-looking statements pertaining to management's current expectations as to Freddie Mac's future business plans, results of operations and/or financial condition. Management's expectations for the corporation's future necessarily involve a number of assumptions and estimates, and various factors could cause actual results to differ materially from these expectations. These assumptions and factors are discussed in the corporation's Annual Report to Shareholders and its Information Statement and quarterly Information Statement Supplements.

Freddie Mac is a stockholder-owned corporation established by Congress in support of homeownership and rental housing. Freddie Mac purchases single-family and multifamily residential mortgages and mortgage-related securities, which it finances primarily by issuing mortgage passthrough securities and debt instruments in the capital markets. Over the years, Freddie Mac has opened doors for one in six homebuyers in America.

Freddie Mac's earnings releases and other financial disclosures are available on the Shareholders' page of its World Wide Web site.

FREDDIE MAC
CONDENSED CONSOLIDATED STATEMENTS OF INCOME
(unaudited)
(dollars in millions, except per share amounts)

	Quarters Ended			Nine Months Ended	
	September 30, 2001	June 30, 2001	September 30, 2000	September 30, 2001	September 30, 2000
Net interest income on earning assets	$ 1,320	$ 1,104	$ 737	$ 3,400	$ 2,100
Management and guarantee income	416	398	372	1,206	1,106
Fair value gains (losses)	33	22	-	72	-
Other income, net	68	77	16	181	92
Total revenues	1,837	1,601	1,125	4,859	3,298
Provision for mortgage losses	(10)	(10)	(10)	(30)	(30)
REO operations expense	(8)	(8)	(11)	(30)	(51)
Administrative expenses	(201)	(194)	(180)	(585)	(529)
Housing tax credit partnerships	(34)	(32)	(26)	(98)	(78)
Total non-interest expense	(253)	(244)	(227)	(743)	(688)
Income before income taxes, extraordinary items and cumulative effect of change in accounting principle	1,584	1,357	898	4,116	2,610
Income taxes	(487)	(408)	(256)	(1,238)	(734)
Income before extraordinary items and cumulative effect of change in accounting principle, net of taxes	1,097	949	642	2,878	1,876
Extraordinary gain (loss) on retirement of debt, net of taxes	(65)	(35)	3	(100)	8
Cumulative effect of change in accounting principle, net of taxes	-	-	-	5	-
Net income	$ 1,032	$ 914	$ 645	$ 2,783	$ 1,884
Preferred stock dividends	(58)	(53)	(45)	(158)	(135)
Net income available to common stockholders	$ 974	$ 861	$ 600	$ 2,625	$ 1,749
Basic earnings per common share before extraordinary items and cumulative effect of change in accounting principle	$ 1.49	$ 1.29	$ 0.86	$ 3.91	$ 2.51
Extraordinary gain (loss) on retirement of debt, net of taxes	(0.09)	(0.05)	0.01	(0.14)	0.01
Cumulative effect of change in accounting principle, net of taxes	-	-	-	0.01	-
Basic earnings per common share after extraordinary items and cumulative effect of change in accounting principle	$ 1.40	$ 1.24	$ 0.87	$ 3.78	$ 2.52
Diluted earnings per common share before extraordinary items and cumulative effect of change in accounting principle	$ 1.49	$ 1.29	$ 0.86	$ 3.90	$ 2.50
Extraordinary gain (loss) on retirement of debt, net of taxes	(0.09)	(0.05)	-	(0.14)	0.01
Cumulative effect of change in accounting principle, net of taxes	-	-	-	0.01	-
Diluted earnings per common share after extraordinary items and cumulative effect of change in accounting principle	$ 1.40	$ 1.24	$ 0.86	$ 3.77	$ 2.51
Weighted average common shares outstanding (thousands)					
Basic	694,661	693,726	691,543	693,826	693,984
Diluted	697,203	696,657	693,719	696,849	696,643

FREDDIE MAC
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited)
(dollars in millions)

	September 30, 2001	June 30, 2001	December 31, 2000	September 30, 2000
Assets				
Mortgages, net	$ 59,311	$ 61,213	$ 58,906	$ 56,712
Guaranteed mortgage securities (GMS)	419,309	381,990	327,054	303,636
Purchase and sale premiums, discounts and deferred fees	(3,734)	(654)	(843)	(1,044)
Retained portfolio, net	474,886	442,549	385,117	359,304
Cash and cash equivalents	583	973	366	224
Investments	65,964	63,323	48,206	48,593
Other assets	30,474	30,745	25,608	25,225
Total assets	$ 571,907	$ 537,590	$ 459,297	$ 433,346
Liabilities and stockholders' equity				
Debt securities, net				
Due within one year	$ 244,639	$ 223,509	$ 183,576	$ 180,652
Due after one year	286,673	271,073	243,178	226,142
Total debt securities, net	531,312	494,582	426,754	406,794
Other liabilities	22,967	26,898	17,561	13,218
Guarantees				
Total Mortgage Participation Certificates (Total PCs)	927,490	873,750	822,310	790,891
Less--Underlying mortgages	(927,490)	(873,750)	(822,310)	(790,891)
Total guarantees, net	-	-	-	-
Subordinated borrowings	3,122	2,130	145	142
Stockholders' equity	14,506	13,980	14,837	13,192
Total liabilities and stockholders' equity	$ 571,907	$ 537,590	$ 459,297	$ 433,346

FREDDIE MAC
CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY
(unaudited)
(dollars in millions)

	Quarters Ended		
	September 30, 2001	June 30, 2001	September 30, 2000
Stockholders' equity at beginning of period	$ 13,980	$ 12,821	$ 12,248
Net income	1,032	914	645
Accumulated other comprehensive income, net of taxes [1]	(346)	59	446
Other comprehensive income	686	973	1,091
Cash dividends declared	(196)	(192)	(164)
Common stock issuances, net	36	4	17
Preferred stock issuances, net	-	374	-
Stockholders' equity at end of period	$ 14,506	$ 13,980	$ 13,192

[1] These figures represent changes in balances for the periods presented. The ending balance of "Accumulated other comprehensive income, net of taxes" was $(3,237) million, $(2,891) million and $(674) million as of September 30, 2001, June 30, 2001 and September 30, 2000, respectively, and is excluded from Freddie Mac's core capital.

If you intend to purchase Preferred Stock, you should rely only on the information in this Offering Circular, including the information in the disclosure documents that we have incorporated by reference. We have not authorized anyone to provide you with different information.

This Offering Circular and the incorporated documents may not be correct after their dates.

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

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Freddie Mac

6,000,000 Shares

5.7% Non-Cumulative Preferred Stock (Liquidation Preference $50.00 Per Share)

Freddie Mac

Bear, Stearns & Co. Inc.
First Tennessee Bank NA
Lehman Brothers
Deutsche Banc Alex. Brown
Goldman, Sachs & Co.
Vining-Sparks IBG, L.P.

October 25, 2001