

OFFERING CIRCULAR

20,000,000 Shares
5.9% Non-Cumulative
Perpetual Preferred Stock



Freddie Mac

| | |
|--------------------------------|---|
| Dividend Rate: | 5.9% |
| Payment Dates: | March 31, June 30, September 30 and December 31, beginning December 31, 2006 |
| Optional Redemption: | On or after September 30, 2011 |
| Liquidation Preference: | \$25 per share plus current dividends |
| Issue Date: | October 16, 2006 |
| Listing: | New York Stock Exchange (pending) |

An investment in the Preferred Stock involves risks. See *Risk Factors* beginning on page 5 of this Offering Circular and beginning on page 9 of our Information Statement dated June 28, 2006, which we are incorporating by reference in this Offering Circular.

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.

| | <u>Initial Public Offering Price(1)</u> | <u>Underwriting Discount</u> | <u>Proceeds to Freddie Mac(1) (2)</u> |
|----------------|---|----------------------------------|---|
| Per Share..... | \$25.00 | \$0.25 | \$24.75 |
| Total..... | \$500,000,000 | \$5,000,000 | \$495,000,000 |

(1) Plus any accrued dividends from October 16, 2006.
(2) Before deducting estimated expenses of \$150,000.

Joint Book-Running Managers

Lehman Brothers

Merrill Lynch & Co.

Co Managers

Goldman, Sachs & Co.

Banc of America Securities LLC

Bear, Stearns & Co. Inc.

JPMorgan

Morgan Stanley

The date of this Offering Circular is October 11, 2006.

In this Offering Circular, we refer to the 5.9% Non-Cumulative Perpetual Preferred Stock as the “Preferred Stock.”

The Underwriters may engage in transactions that affect the price of the Preferred Stock, including 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 for the Preferred Stock (the “Certificate of Designation”), which will be in substantially the form attached as *Appendix A*;
- our Proxy Statement dated July 12, 2006; and
- our Information Statement dated June 28, 2006 (the “Information Statement”) and our Information Statement Supplements dated August 1, August 21, September 8 and October 3, 2006 (the “Information Statement Supplements”).

This Offering Circular incorporates the Proxy Statement, the Information Statement and the Information Statement Supplements by reference, which means that we are disclosing information to you by referring to them rather than by providing you with separate copies. They are considered part of this Offering Circular. We also furnish our common stockholders with periodic reports containing financial information and supplements to our Information Statement. You can obtain copies of any of these documents by contacting us at:

Freddie Mac
Investor Relations Department
Mailstop D40
1551 Park Run Drive
McLean, Virginia 22102-3110
Telephone: 571-382-4732 or 1-800-FREDDIE (800-373-3343)
e-mail: shareholder@freddiemac.com

Our Proxy Statement, Information Statement and Information Statement Supplements are also available on the “Investor Relations” page of our Internet Website (<http://www.freddiemac.com>). Although this information is available on our website, none of the other information on or hyperlinked from our website is incorporated by reference into this Offering Circular. You should rely only on the information included or specifically incorporated by reference in this Offering Circular in deciding whether to make an investment in the Preferred Stock. We have not authorized anyone to provide you with any different or additional information.

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. For a discussion of relevant U.S. tax considerations associated with an investment in the Preferred Stock, see *Certain Federal Income Tax Consequences*.

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 stockholder-owned government-sponsored enterprise. |
| Securities Offered | 20,000,000 shares of Preferred Stock, each with a \$25 per share redemption price and liquidation preference. |
| Dividends | 5.9% per annum. Dividends will accrue from but not including the issue date. |
| Frequency | We will pay non-cumulative dividends quarterly, when, as and if declared by our Board of Directors. |
| Payment Dates | We will pay dividends, if declared, on March 31, June 30, September 30 and December 31 of each year, or the next business day, beginning December 31, 2006. |
| Preferences | The Preferred Stock will receive a preference over our common stock and any other junior stock as to dividends and distributions upon liquidation. The Preferred Stock will rank equally with our other currently outstanding series of preferred stock as to dividends and distributions upon liquidation. |
| Maturity | Perpetual. |
| Optional Redemption | Beginning on September 30, 2011 and at any time thereafter, we will have the option to redeem the Preferred Stock, in whole or in part, at the price of \$25 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 and including the redemption date, whether or not declared. We will give notice of optional redemption by mail to holders of the Preferred Stock to be redeemed from 30 days to 60 days before 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 stockholders, up to \$25 per share of Preferred Stock plus the dividend for the then-current quarterly dividend period accrued through and including the liquidation payment date, whether or not declared. |
| 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 has been rated Aa3 (stable) by Moody’s Investors Service, Inc. (“ Moody’s ”), AA– (sta- |

ble) by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P") and AA- (stable) by Fitch Ratings ("Fitch"). See *Ratings*.

Use of Proceeds We will use the net proceeds from the sale of the Preferred Stock primarily for the repurchase of outstanding shares of our common stock. Any remaining net proceeds may be used for general corporate purposes, including the repayment of outstanding debt, the purchase of residential mortgages or mortgage securities and the redemption of previously issued shares of preferred stock.

Transfer Agent, Dividend Disbursing

Agent and Registrar Computershare Trust Company, N.A.

Exchange Listing We have applied to list the Preferred Stock on the New York Stock Exchange (the "NYSE").

CUSIP Number 313400681

RISK FACTORS

Prospective purchasers of the Preferred Stock should consider carefully the risk factors set forth below, and in the Information Statement beginning on page 9, as well as all other information contained or incorporated by reference in this Offering Circular, in evaluating an investment in the Preferred Stock.

We Continue to Experience Delays in Our Financial Reporting

Since the restatement and revision of our financial results for 2000, 2001 and 2002, we have had to face many challenging and complex accounting and financial reporting issues, including ongoing controls remediation and systems re-engineering and development. We fell behind in our periodic reporting for the years ended December 31, 2002, 2003, 2004 and 2005, and we have not yet returned to quarterly reporting. In order to devote the resources needed to complete a review of our internal control environment and return to timely reporting as soon as possible, we have decided to delay our interim financial reporting for 2006. If we fail to meet our reporting obligations, this could affect our ability to maintain the listing of our securities on the NYSE. Further, the Office of Federal Housing Enterprise Oversight (“OFHEO”) could seek to require us to implement a remediation plan, hold additional capital or take other actions. In August 2006, in response to a request from OFHEO, we announced that we will voluntarily limit, on a temporary basis, the annual growth of our retained mortgage portfolio to no more than two percent above the level of June 30, 2006, effective July 1, 2006. In addition, a failure to effectively and timely implement the remediation plan undertaken as a result of the prior restatement of our consolidated financial statements and the consent order entered into with OFHEO, including particular initiatives relating to technical infrastructure and internal control over financial reporting, could similarly adversely affect our business. Additionally, because we do not have current financial information available, our current financial results could differ (perhaps substantially) from our most recent audited financial statements as of December 31, 2005 as set forth in our Information Statement or management’s estimates of our financial results for the first half of 2006 as set forth in our Information Statement Supplement dated October 3, 2006. Any of these events could have an adverse effect on the trading value of the Preferred Stock. For further information, see *Management’s Discussion and Analysis of Financial Condition and Results of Operations — Risk Management — Operational Risks — Internal Control Over Financial Reporting* in the Information Statement.

We Have Material Weaknesses and Other Deficiencies in Our Internal Controls

We have discovered, and may in the future discover, material weaknesses and significant deficiencies in our internal controls that require remediation. Due to these weaknesses and deficiencies, our management has determined that, as of December 31, 2005, our internal control over financial reporting was not effective. A failure to establish and maintain an adequate control environment could result in a material error in our reported financial results, loss of market confidence in our reported results and additional delays in our financial reporting timeline. Any of these results could have a material adverse effect on our business and on the trading price of our securities, and could result in additional regulatory measures. OFHEO is considering whether additional remedial actions may be appropriately applied to us. For further information, see *Management’s Discussion and Analysis of Financial Condition and Results of Operations — Risk Management — Operational Risks — Internal Control Over Financial Reporting* in the Information Statement.

We May Be Unable To Manage Effectively All of the Risks to Which We Are Subject

Our business is exposed to operational risks, interest-rate and other market risks and credit risks. We are also exposed to other risks, such as those described in the *Risk Factors* section of the Information Statement, including reputation risk, legislation and regulatory risk and risks related to implementing our business strategies. As described therein and above, we face a number of significant operational risks, including material weaknesses and other significant deficiencies in our internal control over financial reporting. These operational risks may expose us to financial loss, may delay or interfere with our ability to return to and sustain timely financial reporting, or may result in other adverse consequences to our business and the trading value of our securities. Our retained portfolio activities expose us to interest-rate risk and other market risks arising primarily from the uncertainty as to when borrowers will pay the outstanding principal balance of mortgage loans and mortgage-related securities, known as prepayment risk, and the resulting potential mismatch in the timing of our receipt of cash flows on our assets versus the timing of our obligation to make payments on our liabilities. Our credit guarantee activities also expose us to interest-rate risk because changes in interest rates can cause fluctuations in the fair value of our existing credit guarantee portfolio. Our credit guarantee portfolio also is subject primarily to two types of credit risk — mortgage credit risk and institutional credit risk. Mortgage credit risk is the risk that a borrower will fail to make timely payments on a mortgage or security we own or guarantee. Institutional credit risk is the risk that a counterparty that has entered into a business contract or arrangement with us will fail to meet its obligations. For further information, see *Risk Factors* and *Management's Discussion and Analysis of Financial Condition and Results of Operations — Risk Management* in the Information Statement.

The Preferred Stock Is Subordinated to Our Senior Obligations

The Preferred Stock is subordinated to our senior obligations, including our subordinated debt consisting primarily of Freddie SUBS® securities. The terms of the Freddie SUBS that we have outstanding provide for the deferral of interest payments under certain specified circumstances of financial distress and, during those deferral periods, prohibit the payment of dividends on our stock, including the Preferred Stock. Additionally, we may not declare or pay 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. As of the date of this Offering Circular, we have no outstanding class or series of stock that ranks senior to the Preferred Stock.

There Is No Existing Trading Market for the Preferred Stock

The Preferred Stock is a new issue of securities with no established trading market. We have applied to list the Preferred Stock on the NYSE. There is no assurance that the Preferred Stock will be approved for listing on the NYSE. However, even if the listing of the Preferred Stock is approved, an active market for the Preferred Stock may or may not develop or be sustained in the future. We cannot assure you regarding the liquidity of, or trading markets for, the Preferred Stock.

FREDDIE MAC

Freddie Mac is a stockholder-owned company chartered by Congress in 1970 under the Federal Home Loan Mortgage Corporation Act (the “**Freddie Mac Act**”) to stabilize the nation’s residential mortgage markets and expand opportunities for homeownership and affordable rental housing. We are one of the largest purchasers of mortgage loans in the U.S. We bring innovation and efficiency to the mortgage lending process.

Our mission is to provide liquidity, stability and affordability to the U.S. housing market. We fulfill our mission by purchasing residential mortgages and mortgage-related securities in the secondary mortgage market. We purchase mortgages that meet our underwriting and product standards, then bundle them into mortgage-related securities that can be sold to investors. We can use the proceeds to purchase additional mortgages from primary market mortgage lenders, thus providing them with a continuous flow of funds. We also purchase mortgage loans and mortgage-related securities for our investment portfolio, which we finance primarily by issuing a variety of debt instruments in the capital markets.

Though we are chartered by Congress, our business is funded completely with private capital. We are responsible for making payments on our securities. Neither the U.S. government nor any other agency or instrumentality of the U.S. government is obligated to fund our mortgage purchase or financing activities or to guarantee our securities and other obligations.

Our statutory purposes, as stated in our charter, 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 related to mortgages on housing for low- and moderate-income families involving a reasonable economic return that may be less than the return received on other activities) by increasing the liquidity of mortgage investments and improving the distribution of investment capital available for residential mortgage financing; and
- To promote access to mortgage credit throughout the U.S. (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.

USE OF PROCEEDS

We will use the net proceeds from the sale of Preferred Stock primarily for the repurchase of outstanding shares of our common stock. Any remaining net proceeds may be used for general corporate purposes, including the repayment of outstanding indebtedness, the purchase of residential mortgages or mortgage securities and the redemption of shares of preferred stock we have previously issued. The precise amounts and timing of the application of the proceeds will depend on our capital and 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 December 31, 2005 and pro forma as adjusted to reflect the sale of the Preferred Stock offered by this Offering Circular and the sale of our preferred stock in July 2006. This information should be read together with our consolidated financial statements and other financial information set forth in the Information Statement. We engage in transactions and issue or repurchase debt obligations on an ongoing basis, all of which cause our total capitalization to change. Therefore, on any date after December 31, 2005, our total capitalization will differ (perhaps substantially) from the figures contained in this capitalization table. See *Risk Factors — We Continue to Experience Delays in Our Financial Reporting*.

| | December 31, 2005 | | |
|--|-----------------------|--------------------------|--------------------------------------|
| | Actual | Pro Forma ⁽¹⁾ | Pro Forma As Adjusted ⁽²⁾ |
| | (dollars in millions) | | |
| Debt securities, net: | | | |
| Due within one year | \$288,532 | \$288,532 | \$288,532 |
| Due after one year | 454,627 | 454,627 | 454,627 |
| Total debt securities, net | 743,159 | 743,159 | 743,159 |
| Subordinated Borrowings | 5,633 | 5,633 | 5,633 |
| Stockholders' Equity ⁽³⁾⁽⁴⁾⁽⁵⁾ : | | | |
| Variable Rate, Non-Cumulative Preferred Stock, \$1.00 par value and \$50.00 redemption value ⁽⁶⁾ | 250 | 250 | 250 |
| 6.14% Non-Cumulative Preferred Stock, \$1.00 par value and \$50.00 redemption value ⁽⁷⁾ | 600 | 600 | 600 |
| 5.81% Non-Cumulative Preferred Stock, \$1.00 par value and \$50.00 redemption value ⁽⁸⁾ | 150 | 150 | 150 |
| 5% Non-Cumulative Preferred Stock, \$1.00 par value and \$50.00 redemption value ⁽⁹⁾ | 400 | 400 | 400 |
| Variable Rate, Non-Cumulative Preferred Stock, \$1.00 par value and \$50.00 redemption value ⁽¹⁰⁾ | 220 | 220 | 220 |
| 5.1% Non-Cumulative Preferred Stock, \$1.00 par value and \$50.00 redemption value ⁽¹¹⁾ | 400 | 400 | 400 |
| 5.3% Non-Cumulative Preferred Stock, \$1.00 par value and \$50.00 redemption value ⁽¹¹⁾ | 200 | 200 | 200 |
| 5.1% Non-Cumulative Preferred Stock, \$1.00 par value and \$50.00 redemption value ⁽¹²⁾ | 150 | 150 | 150 |
| 5.79% Non-Cumulative Preferred Stock, \$1.00 par value and \$50.00 redemption value ⁽¹³⁾ | 250 | 250 | 250 |
| Variable Rate, Non-Cumulative Preferred Stock, \$1.00 par value and \$50.00 redemption value ⁽¹⁴⁾ | 287 | 287 | 287 |
| Variable Rate, Non-Cumulative Preferred Stock, \$1.00 par value and \$50.00 redemption value ⁽¹⁵⁾ | 325 | 325 | 325 |
| Variable Rate, Non-Cumulative Preferred Stock, \$1.00 par value and \$50.00 redemption value ⁽¹⁶⁾ | 230 | 230 | 230 |
| 5.81% Non-Cumulative Preferred Stock, \$1.00 par value and \$50.00 redemption value ⁽¹⁷⁾ | 173 | 173 | 173 |
| Variable Rate, Non-Cumulative Preferred Stock, \$1.00 par value and \$50.00 redemption value ⁽¹⁸⁾ | 201 | 201 | 201 |
| 6% Non-Cumulative Preferred Stock, \$1.00 par value and \$50.00 redemption value ⁽¹⁹⁾ | 173 | 173 | 173 |
| 5.7% Non-Cumulative Preferred Stock, \$1.00 par value and \$50.00 redemption value ⁽²⁰⁾ | 300 | 300 | 300 |
| 5.81% Non-Cumulative Preferred Stock, \$1.00 par value and \$50.00 redemption value ⁽²¹⁾ | 300 | 300 | 300 |
| Variable Rate, Non-Cumulative Preferred Stock, \$1.00 par value and \$50.00 redemption value ⁽²²⁾ | — | 750 | 750 |
| 6.42% Non-Cumulative Preferred Stock, \$1.00 par value and \$50.00 redemption value ⁽²²⁾ | — | 250 | 250 |
| 5.9% Non-Cumulative Preferred Stock, \$1.00 par value and \$25.00 redemption value ⁽²³⁾ | — | — | 500 |
| Common stock, \$0.21 par value | 152 | 152 | 152 |
| Additional paid-in capital | 924 | 914 | 909 |
| Retained earnings | 31,559 | 31,559 | 31,559 |
| Accumulated other comprehensive income (loss), net of taxes | (8,773) | (8,773) | (8,773) |
| Treasury stock, at cost | (1,280) | (1,280) | (1,280) |
| Total stockholders' equity | 27,191 | 28,181 | 28,676 |
| Total capitalization | <u>\$775,983</u> | <u>\$776,973</u> | <u>\$777,468</u> |

(1) "Pro Forma" reflects proceeds of \$990 million from the July 2006 issuance of 20 million shares of preferred stock, and the deduction of \$300,000 in transaction costs.

(2) "Pro Forma As Adjusted" reflects anticipated proceeds of \$495 million from the issuance of 20 million shares of Preferred Stock, and the deduction of \$150,000 in estimated transaction costs. The actual transaction costs may differ. "Pro Forma As Adjusted" also reflects the July 2006 issuance of preferred stock described in (1), but does not reflect the June 2006 issuance of \$1.25 billion in Freddie SUBS, any other debt transactions since December 31, 2005 or any repurchases of common stock since December 31, 2005.

(3) Preferred stock amounts reflect redemption values as shown. Costs associated with the issuance of preferred stock are included in additional paid-in capital.

(4) As long as the capital monitoring framework established by OFHEO in January 2004 remains in effect, any preferred stock redemption will require prior approval by OFHEO. See *Note 10: Regulatory Capital* to our consolidated financial statements included in our Information Statement for more information.

(5) All classes of preferred stock are perpetual and non-cumulative, and carry no significant voting rights or rights to purchase additional Freddie Mac stock or securities.

(6) Optional redemption on or after June 30, 2001.

(7) Optional redemption on or after June 30, 2002.

(8) Optional redemption on or after October 27, 1998.

(9) Optional redemption on or after March 31, 2003.

(10) Optional redemption on or after September 30, 2003.

(11) Optional redemption on or after October 30, 2000.

(12) Optional redemption on or after March 31, 2004.

(13) Optional redemption on or after June 30, 2009.

(14) Optional redemption on December 31, 2004 and on December 31 every five years thereafter.

(15) Optional redemption on March 31, 2003 and on March 31 every two years thereafter.

(16) Optional redemption on March 31, 2003 and on March 31 every year thereafter.

(17) Optional redemption on or after March 31, 2011.

(18) Optional redemption on June 30, 2003 and on June 30 every two years thereafter.

(19) Optional redemption on or after June 30, 2006.

(20) Optional redemption on or after December 31, 2006.

(21) Optional redemption on or after March 31, 2007.

(22) Optional redemption on or after June 30, 2011.

(23) Optional redemption on or after September 30, 2011.

See *Notes 8 and 9* to the consolidated financial statements included in the Information Statement for further information about our debt securities, subordinated borrowings and stockholders' equity.

FINANCIAL REPORTING MATTERS AND RELATED INFORMATION

Since the restatement and revision of our financial results for 2000, 2001 and 2002, we have had to face many challenging and complex accounting and financial reporting issues, including ongoing controls remediation and systems re-engineering and development. We fell behind in our periodic reporting for the years ended December 31, 2002, 2003, 2004 and 2005, and we have not yet returned to quarterly reporting. Improving internal control over financial reporting and mitigating the risks presented by material weaknesses and other control deficiencies in our financial reporting processes continue to be top corporate priorities. Many of the material weaknesses and other control deficiencies identified in prior years persisted throughout 2005 and continue to present challenges for us in 2006. In addition, we determined that some previously identified deficiencies were more serious than originally assessed. We also identified additional control deficiencies in 2005. While we believe we have made progress in the remediation of certain material weaknesses and other control deficiencies that have been identified, these will continue to pose significant risks to our financial reporting processes until fully remediated. For example, in the course of completing our financial reporting process for 2005, we discovered a number of internal control issues that resulted in adjustments to our interim 2005 financial results. See *Risk Factors — Business and Operational Risks* and *Management's Discussion and Analysis of Financial Condition and Results of Operations — Risk Management — Operational Risks* in our Information Statement for more information. The material weaknesses and significant deficiencies in our internal control over financial reporting adversely affect our ability to record, process, summarize and report financial data in a timely manner. Based on the continued existence of material weaknesses at December 31, 2005, our Chief Executive Officer and President and Chief Operating Officer have concluded that our internal control over financial reporting was not effective at December 31, 2005.

We have not completed our evaluation of our internal control over financial reporting. Accordingly, we are unable to determine whether additional weaknesses or deficiencies that require remediation exist. Our ability to identify, manage, mitigate and/or remedy internal control weaknesses and deficiencies and other risks may continue to delay our return to regular, timely reporting. Any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives. Furthermore, we cannot be certain that our efforts to improve our control environment will be successful or that we will be able to maintain adequate controls over our financial processes and reporting in the future. A failure to establish and maintain an adequate control environment could result in a material error in our reported financial results and additional delay in our financial reporting timeline, and could have a material adverse effect on our business depending on the nature of the failure and any required remediation. An ineffective control environment, including our disclosure controls and procedures, could also cause investors to lose confidence in our reported financial information, which would likely have an adverse effect on the trading price of our securities. If we fail to meet our reporting obligations, this could affect our ability to maintain the listing of our securities on the NYSE. Further, in May 2006, OFHEO announced that it would consider applying additional remedial measures to us and to Fannie Mae, including, but not limited to, limiting the growth of our retained mortgage portfolio and requiring us to hold additional capital (see *Regulatory Capital* for more

information). In August 2006, in response to a request from OFHEO, we announced that we will voluntarily limit, on a temporary basis, the annual growth of our retained mortgage portfolio to no more than two percent above the level of June 30, 2006, effective July 1, 2006. In addition, a failure to effectively and timely implement the remediation plan undertaken as a result of the prior restatement of our consolidated financial statements and the consent order entered into with OFHEO, including particular initiatives relating to technical infrastructure and internal control over financial reporting, could similarly adversely affect our business. See also *Risk Factors — Business and Operational Risks* and *— Legal and Regulatory Risks* in our Information Statement.

We are also exposed to the risk that our business processes could be adversely affected by inadequate staffing, which strains existing resources and increases the risk that an error or fraud will not be detected. This risk is of particular concern because of high turnover rates, critical vacancies and recent changes in our senior management. We have filled some important vacancies such as General Counsel, General Auditor, Principal Accounting Officer and Senior Vice President, Enterprise Operational Risk. Our President and Chief Operating Officer has assumed the responsibilities of the Chief Financial Officer while we conduct a search to fill that position. Recently, high employee turnover rates have contributed to increased operational risk. While we have made progress in our efforts to build a strong management team by filling several senior positions, we need to continue to recruit additional qualified people into leadership positions across the organization in order to achieve our objectives in regard to remediation of our internal control deficiencies.

Executive management committees and other internal advisory groups monitor performance against our risk management strategies and established risk limits, identify and assess potential issues and provide oversight regarding changes in business processes and activities. Within the business units, risk management personnel identify, monitor and report risks. Independent oversight of risk management is provided by our Enterprise Risk Oversight, Corporate Compliance and Internal Audit divisions, in addition to the oversight provided by the board of directors and its committees. Together these groups assess the adequacy and effectiveness of the risk management functions across the company.

While we believe that both our day-to-day and long-term management of interest-rate and other market risks and credit risks is satisfactory, weaknesses exist in our overall risk governance framework. We are focused on strengthening our capacity in four important areas: risk governance, risk identification, risk measurement and assessment and related education and communication. Our risk management framework is being reviewed under a new leadership team in our Enterprise Risk Oversight division to address these issues and to establish clear lines of authority, clarify roles and responsibilities and to improve the overall effectiveness of the risk oversight function. We recently created an executive management enterprise risk committee to provide an enterprise-wide view of risk. Our board of directors also assigned primary responsibility for oversight of enterprise risk management to the newly re-chartered Governance, Nominating and Risk Oversight Committee of the board of directors.

For further discussion of corporate initiatives we have undertaken to improve our ability to manage our operational risks and the potential effects of those risks on our business, see *Management's Discussion and Analysis of Financial Condition and Results of Operations — Risk Management — Operational Risks* in the Information Statement.

SELECTED FINANCIAL DATA

The following table sets forth, for the periods and dates indicated, our selected consolidated financial data which has been derived from and should be read in conjunction with our annual consolidated financial statements, including those incorporated in this Offering Circular by reference to our Information Statement for the year ended December 31, 2005.

We do not have current financial information available and have material weaknesses and other deficiencies in our internal control environment. On any date after December 31, 2005, our financial information may differ (perhaps substantially) from the data contained in this table. See *Risk Factors — We Continue to Experience Delays in Our Financial Reporting* and *— We Have Material Weaknesses and Other Deficiencies in Our Internal Controls*. You should also read, in conjunction with this financial information, the discussion of certain operational risks relating to our financial reporting set forth under *Risk Factors* and *Financial Reporting Matters and Related Information* above.

Selected Financial Data⁽¹⁾

| | At or for the Year Ended December 31, | | | | |
|--|---|------------|------------|------------|------------|
| | 2005 | 2004 | 2003 | 2002 | 2001 |
| | (dollars in millions, except share-related amounts) | | | | |
| Income Statement Data | | | | | |
| Net interest income | \$ 5,370 | \$ 9,137 | \$ 9,498 | \$ 9,525 | \$ 7,448 |
| Non-interest income (loss) | 199 | (3,039) | (244) | 7,154 | (1,591) |
| Net income before cumulative effect of changes in accounting principles | 2,189 | 2,937 | 4,816 | 10,090 | 3,115 |
| Cumulative effect of changes in accounting principles, net of taxes | (59) | — | — | — | 43 |
| Net income | 2,130 | 2,937 | 4,816 | 10,090 | 3,158 |
| Preferred stock dividends and issuance costs on redeemed preferred stock | (223) | (210) | (216) | (239) | (217) |
| Net income available to common stockholders | \$ 1,907 | \$ 2,727 | \$ 4,600 | \$ 9,851 | \$ 2,941 |
| Earnings per common share before cumulative effect of changes in accounting principles: | | | | | |
| Basic | \$ 2.84 | \$ 3.96 | \$ 6.69 | \$ 14.22 | \$ 4.19 |
| Diluted | 2.83 | 3.94 | 6.68 | 14.17 | 4.17 |
| Earnings per common share after cumulative effect of changes in accounting principles: | | | | | |
| Basic | \$ 2.76 | \$ 3.96 | \$ 6.69 | \$ 14.22 | \$ 4.25 |
| Diluted | 2.75 | 3.94 | 6.68 | 14.17 | 4.23 |
| Dividends per common share | \$ 1.52 | \$ 1.20 | \$ 1.04 | \$ 0.88 | \$ 0.80 |
| Weighted average common shares outstanding (in thousands): | | | | | |
| Basic | 691,582 | 689,282 | 687,094 | 692,727 | 692,603 |
| Diluted | 693,511 | 691,521 | 688,675 | 695,116 | 695,973 |
| Balance Sheet Data | | | | | |
| Total assets | \$ 806,222 | \$ 795,284 | \$ 803,449 | \$ 752,249 | \$ 641,100 |
| Senior debt, net due within one year | 288,532 | 282,303 | 295,262 | 244,429 | 264,227 |
| Senior debt, net due after one year | 454,627 | 443,772 | 438,738 | 415,662 | 311,013 |
| Subordinated debt, net due after one year | 5,633 | 5,622 | 5,613 | 5,605 | 3,128 |
| Miscellaneous liabilities ⁽²⁾ | 29,290 | 30,662 | 30,420 | 52,914 | 40,489 |
| Minority interests in consolidated subsidiaries | 949 | 1,509 | 1,929 | 2,309 | 2,619 |
| Stockholders' equity | 27,191 | 31,416 | 31,487 | 31,330 | 19,624 |
| Portfolio Balances⁽³⁾ | | | | | |
| Retained portfolio (unpaid principal balances) ⁽⁴⁾ | \$ 710,017 | \$ 652,936 | \$ 645,466 | \$ 567,272 | \$ 497,639 |
| Total Guaranteed PCs and Structured Securities issued (unpaid principal balances) ⁽⁵⁾ | 1,335,524 | 1,208,968 | 1,162,068 | 1,090,624 | 961,511 |
| Total mortgage portfolio (unpaid principal balances) | 1,684,217 | 1,505,206 | 1,414,399 | 1,316,609 | 1,150,723 |
| Ratios | | | | | |
| Return on average assets ⁽⁶⁾ | 0.3% | 0.4% | 0.6% | 1.4% | 0.6% |
| Return on common equity ⁽⁷⁾ | 7.7 | 10.2 | 17.2 | 47.2 | 20.2 |
| Return on total equity ⁽⁸⁾ | 7.3 | 9.3 | 15.3 | 39.6 | 17.1 |
| Dividend payout ratio on common stock ⁽⁹⁾ | 56.4 | 30.7 | 15.6 | 6.2 | 18.9 |
| Equity to assets ratio ⁽¹⁰⁾ | 3.7 | 3.9 | 4.0 | 3.7 | 3.4 |

- (1) Beginning October 1, 2005, we changed our method for determining gains and losses upon the re-sale of PCs and Structured Securities related to deferred items recognized in connection with our guarantee of those securities. Effective January 1, 2005, we changed our method of accounting for interest expense related to callable debt instruments to recognize interest expense using an effective interest method over the contractual life of the debt. For periods prior to 2005, we amortized premiums, discounts, deferred issuance costs and other basis adjustments in interest expense using an effective interest method over the estimated life of the debt. See "Note 1: Summary of Significant Accounting Policies" to our consolidated financial statements included in the Information Statement. Effective January 1, 2003, we adopted the provisions of Financial Accounting Standards Board, or FASB, Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others," or FIN 45, and FASB Staff Position FIN 45-2, "Whether FASB Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*, Provides Support for Subsequently Accounting for a Guarantor's Liability at Fair Value." We also adopted the provisions of Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," or SFAS 133, and the provisions of Emerging Issues Task Force No. 99-20, "Recognition of Interest Income and Impairment on Purchased and Retained Beneficial Interests in Securitized Financial Assets," or EITF 99-20, as of January 1, 2001 and April 1, 2001, respectively.
- (2) Includes (a) Due to Participation Certificate investors, (b) Accrued interest payable, (c) Guarantee obligation, (d) Derivative liabilities, at fair value, (e) Reserve for guarantee losses on Participation Certificates and (f) Other liabilities, as presented on our consolidated balance sheets.
- (3) Excludes mortgage loans and mortgage-related securities traded, but not yet settled.
- (4) The Retained portfolio presented in our consolidated balance sheets differs from the Retained portfolio on this table because the consolidated balance sheet caption includes valuation adjustments and deferred balances. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Consolidated Results of Operations — Table 17 — Characteristics of Mortgage Loans and Mortgage-Related Securities in the Retained Portfolio" in the Information Statement.
- (5) Excludes Structured Securities where we have restructured PCs and other previously issued Structured Securities. These excluded Structured Securities do not increase our credit-related exposure and consist of single-class Structured Securities backed by PCs, REMICs and principal-only strips. The notional balances of interest-only strips are excluded because this line item is based on unpaid principal balance. Also excluded from this line item are modifiable and combinable REMIC tranches and interest and principal classes where the holder has the option to exchange the security tranches for other pre-defined security tranches.
- (6) Ratio computed as Net income divided by the simple average of beginning and ending Total assets.
- (7) Ratio computed as Net income available to common stockholders divided by the simple average of beginning and ending Stockholders' equity, net of Preferred Stock, at redemption value.
- (8) Ratio computed as Net income divided by the simple average of beginning and ending Stockholders' equity.
- (9) Ratio computed as Common stock dividends declared divided by Net income available to common stockholders.
- (10) Ratio computed as the simple average of beginning and ending Stockholders' equity divided by the simple average of beginning and ending Total assets.

REGULATION AND GOVERNMENTAL RELATIONSHIPS

We face an uncertain regulatory environment in light of legislative reforms currently being considered in Congress. On October 26, 2005, the House of Representatives passed a bill concerning GSE regulatory oversight. The Senate Committee on Banking, Housing, and Urban Affairs passed a bill concerning GSE regulatory oversight on July 28, 2005. The bills that have been passed by the full House of Representatives and by the Senate Committee on Banking, Housing, and Urban Affairs differ in various respects, although each in its current form would result in significant changes in the existing GSE regulatory oversight structure.

We currently generate a significant portion of our net income through our portfolio investment activities. Current legislative proposals would give our regulator substantial authority to regulate the amount and composition of our portfolio investments and to require substantial reductions in those investments. Additional provisions under consideration would increase the regulator's authority to require us to maintain higher capital levels and to approve new programs and business activities, and would modify our affordable housing goals and require that a specified percentage of our profits be placed in a fund to support affordable housing.

We believe the enactment into law of these provisions, depending on their final terms and on how they would be applied by our regulator, could have a material adverse effect on our ability to fulfill our mission, our future earnings, stock price and stockholder returns, the rate of growth in our fair value, and our ability to recruit qualified officers and directors. See *Risk Factors — Legal and Regulatory Risks — Developments affecting our legislative and regulatory environment could materially harm our business prospects or competitive position* in our Information Statement.

We believe appropriate GSE regulatory oversight legislation would strengthen market confidence and promote our mission. While we continue to work toward enactment of appropriate regulatory oversight legislation, we cannot predict the prospects for the enactment, timing or content of any final legislation or its impact on our financial prospects. A more detailed discussion of our regulatory and governmental relationships appears under *Regulation and Supervision* in our 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.

Computershare 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 the

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 the Preferred Stock, you will be entitled to receive non-cumulative, quarterly cash dividends which will accrue from but not including the original date of issuance 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, 2006. Dividends on shares of the Preferred Stock will accrue at an annual rate of 5.9% or \$1.475 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. Dividends not declared for any Dividend Payment Date will not accrue thereafter.

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 declared, the initial dividend, which will be for the period from but not including the original date of issuance through and including December 31, 2006, will be \$0.303 per share. 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 and including the redemption date, whether or not declared, in the redemption price of the shares redeemed. We will not pay this dividend to you separately.

The Certificate of Designation does not require us to make any dividend adjustment as a result of changes in the dividends-received deduction under the Internal Revenue Code of 1986.

Preferences and Limitations

The Preferred Stock will rank prior to our Common Stock with respect to dividends, as provided in the Certificate of Designation. We will not declare or pay any dividend on our Common Stock or any of our 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 the Existing Preferred Stock, which are listed in Section 1 of the Certificate of Designation and in the capitalization table on page 9.

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 of our 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 our Common Stock.

We have offered and sold subordinated debt which we refer to as Freddie SUBS securities. As of the date of this Offering Circular, we have a total of approximately \$5.75 billion in Freddie SUBS outstanding. The most recent issuance of Freddie SUBS took place in June 2006. The terms of the Freddie SUBS that we have issued provide for the deferral of interest payments under certain specified circumstances of financial distress. The terms of the Freddie SUBS also prohibit the payment of dividends on our stock, including the Preferred Stock, during any period when we have deferred paying interest on our 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 other 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 Capital* below for a description of possible regulatory restrictions on our ability to pay dividends.

Optional Redemption

The Preferred Stock will not be redeemable before September 30, 2011. 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 \$25.00 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 and including the redemption date, whether or not declared. 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, other than the right to receive the redemption price.

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.

See *Regulatory Capital* 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 rights 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 we voluntarily or involuntarily dissolve, liquidate or wind up our business, then, after payment of or provision for our liabilities to creditors and the expenses of dissolution, liquidation or winding up, the holders of the outstanding shares of 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, \$25.00 per share plus an amount equal to the dividend for the then-current quarterly Dividend Period accrued through and including the liquidation payment date, whether or not declared.

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. As of the date of this Offering Circular, we have no outstanding class or series of stock or other equity security that ranks senior to the Preferred Stock as to dividends or distributions upon liquidation.

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 intend to apply to list the Preferred Stock on the NYSE. There is no assurance that the Preferred Stock will be approved for listing on the NYSE. Approval of our application will be subject, among other things, to satisfactory distribution of the Preferred Stock.

REGULATORY CAPITAL

The Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (“**GSE Act**”) establishes our minimum, critical and risk-based capital standards.

Total capital includes Core capital and general reserves for mortgage and foreclosure losses and any other amounts available to absorb losses that OFHEO includes by regulation. Core capital consists of the par value of outstanding Common stock (Common stock issued less Common stock held in treasury), the par value of outstanding perpetual, noncumulative preferred stock, additional paid-in capital and retained earnings, as determined in accordance with U.S. generally accepted accounting principles (“**GAAP**”).

The minimum capital standard requires us to hold an amount of Core capital that is generally equal to the sum of 2.50 percent of aggregate on-balance sheet assets, as determined in accordance with GAAP, and approximately 0.45 percent of the sum of outstanding mortgage-related securities we guaranteed and other aggregate off-balance sheet obligations. As discussed below, in 2004 OFHEO implemented a framework for monitoring our capital adequacy, which includes a mandatory target capital surplus of 30 percent over the minimum capital requirement.

The critical capital standard requires us to hold an amount of Core capital that is generally equal to the sum of 1.25 percent of aggregate on-balance sheet assets, as determined in accordance with GAAP, and approximately 0.25 percent of the sum of outstanding mortgage-related securities we guaranteed and other aggregate off-balance sheet obligations.

The risk-based capital standard requires the application of a stress test to determine the amount of Total capital that we must hold to absorb projected losses resulting from adverse interest-rate and credit-risk conditions specified by the GSE Act and adds 30 percent additional capital to provide for management and operations risk. The adverse interest-rate conditions prescribed by the GSE Act include one scenario in which 10-year Treasury yields rise by as much as 75 percent (up-rate scenario) and one in which they fall by as much as 50 percent (down-rate scenario). The credit risk component of the stress tests simulates the performance of our mortgage portfolio based on loss rates for a benchmark region. The criteria for the benchmark region are established by the GSE Act and are intended to capture the credit-loss experience of the region that experienced the highest historical rates of default and severity of mortgage losses for two consecutive origination years.

OFHEO is required to classify our capital adequacy not less than quarterly.

To be classified as “adequately capitalized,” we must meet both the risk-based and minimum capital standards. If we fail to meet the risk-based capital standard, we cannot be classified higher than “undercapitalized.” If we fail to meet the minimum capital requirement but exceed the critical capital requirement, we cannot be classified higher than “significantly undercapitalized.” If we fail to meet the critical capital standard, we must be classified as “critically undercapitalized.” In addition, OFHEO has discretion to reduce our capital classification by one level if OFHEO determines that we are engaging in conduct OFHEO did not approve that could result in a rapid depletion of Core capital or determines that the value of property subject to mortgage loans we hold or guarantee has decreased significantly.

OFHEO has never classified us as other than “adequately capitalized,” the highest possible classification. When we are classified as adequately capitalized, we can generally pay a dividend on our common or preferred stock without prior OFHEO approval so long as the payment would not decrease Total capital to an amount less than our risk-based capital requirement and would not decrease our Core capital to an amount less than the minimum capital requirement.

If we were classified as undercapitalized, we would be prohibited from making a capital distribution (which includes common and preferred dividend payments, common stock repurchases and preferred stock redemptions) that would decrease our Core capital to an amount less than the minimum capital requirement. We also would be required to submit a capital restoration plan for OFHEO approval, which could adversely affect our ability to make capital distributions.

If we were classified as significantly undercapitalized, we would be able to make a capital distribution only if OFHEO determined that the distribution satisfied certain statutory standards. Under these circumstances, we would be prohibited from making any capital distribution that would decrease our Core capital to less than the critical capital level, and OFHEO also could take action to limit our growth, require us to acquire new capital or restrict us from activities that create excessive risk. We also would be required to submit a capital restoration plan for OFHEO approval, which could adversely affect our ability to make capital distributions.

If we were classified as critically undercapitalized, OFHEO would be required to appoint a conservator for the company unless OFHEO made a written finding that it should not do so and the Secretary of the Treasury concurred in that determination.

The following table summarizes our regulatory capital requirements and surpluses⁽¹⁾:

| | December 31, | |
|--|---------------|----------|
| | 2005 | 2004 |
| | (in millions) | |
| <i>Minimum capital requirement</i> ⁽²⁾ | \$25,010 | \$24,131 |
| Core capital ⁽²⁾ | 35,964 | 35,009 |
| Minimum capital surplus ⁽²⁾ | 10,954 | 10,878 |
| | | |
| <i>Critical capital requirement</i> ⁽²⁾ | \$12,782 | \$12,308 |
| Core capital ⁽²⁾ | 35,964 | 35,009 |
| Critical capital surplus ⁽²⁾ | 23,182 | 22,701 |
| | | |
| <i>Risk-based capital requirement</i> ⁽³⁾ | \$11,282 | \$11,108 |
| Total capital ⁽³⁾ | 36,781 | 34,691 |
| Risk-based capital surplus ⁽³⁾ | 25,499 | 23,583 |

(1) OFHEO is the authoritative source of the capital calculations that underlie our capital classifications.

(2) Amounts for 2005 are based on amended reports we submitted to OFHEO on May 30, 2006.

(3) Amounts for 2005 and 2004 are those calculated by OFHEO prior to the issuance of our 2005 and 2004 financial results.

Factors that could adversely affect the adequacy of our regulatory capital for future periods include declines in GAAP income, increases in our risk profile, changes in the economic environment, such as large interest-rate or implied volatility moves or house price declines, changes in option-adjusted spreads, legislative or regulatory action that could increase capital requirements or changes in or adoption of new accounting standards such as SFAS 155. See *Note 1: Summary of Significant Accounting Policies — Recently Issued Accounting Standards, Not Yet Adopted* in our Information Statement for more information regarding SFAS 155. In particular, interest-rate levels or implied volatility can affect the amount of our Core capital, even if we are economically well hedged against interest-rate changes, because certain gains or losses are recognized through GAAP earnings while other offsetting gains or losses may not be. Changes in option-adjusted spreads can also affect the amount of our Core capital, because option-adjusted spreads are a factor in the valuation of our guaranteed mortgage portfolio.

In a letter dated January 28, 2004, OFHEO created a framework for monitoring our capital due to our higher operational risk, including our inability to produce timely financial statements in accordance with GAAP. The letter directed that we maintain a mandatory target capital surplus of 30 percent over our minimum capital requirement, subject to certain conditions and variations; that we submit weekly reports concerning our capital levels; and that we obtain prior approval of certain capital transactions. At December 31, 2004 and 2005, our estimated surplus in excess of the 30 percent mandatory target surplus was approximately \$3.6 billion and \$3.5 billion, respectively.

Our failure to meet the mandatory target capital surplus would result in an OFHEO inquiry regarding the reason for such failure. If OFHEO were to determine that we had acted unreasonably regarding our compliance with the framework, as set forth in OFHEO's letter, OFHEO could seek to require us to submit a remedial plan or take other remedial steps.

In addition, under this framework, we are required to obtain prior written approval from the Director of OFHEO before engaging in certain capital transactions, including the repurchase of any shares of Common Stock, redemption of any Preferred Stock or payment of Preferred Stock dividends above stated contractual rates. We also must submit a written report to the Director of OFHEO after the declaration, but before the payment, of any dividend on our Common Stock. The

report must contain certain information on the amount of the dividend, the rationale for the payment and the impact on our capital surplus.

This framework will remain in effect until the Director of OFHEO determines that it should be modified or expire. OFHEO's letter indicated that this determination would consider our resumption of timely financial and regulatory reporting that complies with GAAP, among other factors.

A more detailed discussion of the regulatory oversight of our capitalization and the terms used above appears under *Note 10: Regulatory Capital* to the consolidated financial statements 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 certain U.S. federal income tax consequences that may result from ownership of the Preferred Stock by a U.S. person (as defined below) who holds the Preferred Stock as a capital asset.

This discussion does not discuss all of the U.S. federal income tax consequences that may be relevant to a U.S. person in light of its particular circumstances or to U.S. persons subject to special rules, such as certain financial institutions, insurance companies, certain former citizens or residents of the United States, traders in securities that elect to use a mark-to-market method of accounting for their securities holdings, dealers in securities, U.S. persons holding the Preferred Stock as part of a hedging transaction, straddle conversion transaction or synthetic security transaction, U.S. persons whose functional currency is not the U.S. dollar, tax-exempt persons, or regulated investment companies.

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 U.S. federal, state, local and foreign tax considerations applicable to an investment in the Preferred Stock.

This discussion reflects current U.S. federal income tax laws and Treasury 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 herein.

For this purpose, a U.S. person is an individual who is a citizen or resident of the United States for U.S. federal income tax purposes, a corporation, partnership or other type of entity organized under the laws of the United States or any State or the District of Columbia (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.

Dividends

Distributions on the Preferred Stock which are paid out of current earnings and profits, or earnings and profits accumulated after 1984 (as determined for U.S. federal income tax purposes), 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 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 preferred stock dividend 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 91-day period (or the 181-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 shareholder's position in 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.

Dividends received by individuals generally are subject to a reduced maximum tax rate of 15 percent through December 31, 2010, after which date the rate applicable to dividends is scheduled to return to the rate generally applicable to ordinary income. The rate reduction does not apply to dividends received to the extent that the individual shareholder elects to treat the dividends as "investment income," which may be offset against investment expenses. Furthermore, the rate reduction does not apply to dividends that are paid to individual shareholders with respect to Preferred Stock that is held for 60 days or less during the 121-day period beginning on the date which is 60 days before the date on which the Preferred Stock becomes ex-dividend. Individual shareholders should consult their own tax advisors regarding the implications of these rules in light of their particular circumstances.

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. Tax rates on capital gain for individuals vary depending on each individual's income and holding period for the Preferred Stock. Long-term capital gain realized by individuals is subject to a reduced maximum tax rate of 15 percent through December 31, 2010, after which date the maximum rate is scheduled to return to the rate generally applicable to capital gains. Individual shareholders should contact their own tax advisors for more information or for the capital gains tax rate applicable to specific shares of Preferred Stock.

A payment made in 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 Internal Revenue Code of 1986. 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 Internal Revenue Code of 1986. 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 the company. Because of the ambiguities in applying this rule, each holder should consult its own tax advisor to determine whether a payment made in 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 Internal Revenue Service.

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.

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Any U.S. federal tax advice included in this Offering Circular (1) is not intended or written to be used, and cannot be used, to avoid any U.S. federal tax penalties, and (2) was written to support the promotion or marketing of the transaction or matter addressed by this Offering Circular. Any taxpayer receiving this Offering Circular should seek advice from an independent tax advisor based on the taxpayer's particular circumstances.

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 Lehman Brothers Inc. and Merrill Lynch, Pierce, Fenner & Smith Incorporated are acting as representatives, have severally agreed to purchase from us, the shares of Preferred Stock opposite their names.

| <u>Underwriter</u> | <u>Number of Shares of Preferred Stock</u> |
|---|--|
| Lehman Brothers Inc. | 8,500,000 |
| Merrill Lynch, Pierce, Fenner & Smith Incorporated | 8,500,000 |
| Goldman, Sachs & Co. | 1,000,000 |
| Banc of America Securities LLC | 500,000 |
| Bear, Stearns & Co. Inc. | 500,000 |
| J.P. Morgan Securities Inc. | 500,000 |
| Morgan Stanley & Co. Incorporated | 500,000 |
| Total | 20,000,000 |

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 but not including October 16, 2006, and a portion to certain dealers at that price less a concession of not more than \$0.20 per share. The Underwriters may allow, and the dealers may reallow, a concession of not more than \$0.10 per share on sales to certain brokers and dealers. After the initial offering of the shares, 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. There is no assurance that the Preferred Stock will be approved for listing on the NYSE.

In connection with the offering, the Underwriters may purchase and sell the Preferred Stock in the open market. These transactions may include 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 has assigned the Preferred Stock a rating of Aa3 and a rating outlook of stable. An issue which is rated "Aa" is considered by Moody's to be "of high quality" and "subject to very low credit risk." The numerical modifier "3" indicates that the issue ranks in the lower end of the generic rating category of "Aa." According to Moody's a "rating outlook is an opinion regarding the likely direction of a rating over the medium term."

S&P has assigned the Preferred Stock a rating of AA- and a rating outlook of stable. An issue which is rated "AA" is considered by S&P to differ "from the highest-rated obligations only to a small degree." According to S&P, "the obligor's capacity to meet its financial commitment on the obligation is very strong." The modifier "-" indicates that the issue ranks in the lower end of the generic rating category "AA." According to S&P, a "rating outlook assesses the potential direction of a long-term credit rating over the intermediate term (typically six months to two years)"; a rating outlook of "stable means that a rating is not likely to change" over this period.

Fitch has assigned the Preferred Stock a rating of AA- and a rating outlook of stable. An issue which is rated "AA" is considered by Fitch to be of "very high credit quality." According to Fitch, this rating indicates a "very strong capacity for payment of financial commitments." The modifier "-" indicates that the issue ranks in the lower end of the generic rating category "AA." According to Fitch, a rating outlook "indicates the direction a rating is likely to move over a one to two-year period."

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 ACCOUNTANTS

The consolidated financial statements as of December 31, 2005 and December 31, 2004 and for each of the three years in the period ended December 31, 2005, incorporated by reference into this Offering Circular, have been audited by PricewaterhouseCoopers LLP, independent accountants, as stated in their report with respect thereto.

LEGAL MATTERS

Kevin I. MacKenzie, Esq., Vice President and Deputy General Counsel — Securities, will render an opinion on the legality of the Preferred Stock. Mr. MacKenzie is the beneficial owner of 23,295 shares of Common Stock, 10,907 of which are unvested, and options covering an additional 17,580 shares of Common Stock, 4,356 of which are unvested. Sidley Austin LLP is representing the Underwriters on legal matters concerning the Preferred Stock.

FORWARD-LOOKING STATEMENTS

We regularly communicate information concerning our business activities to investors, securities analysts, the news media and others as part of our normal operations. Some of these communications include “forward-looking statements” pertaining to our current expectations and objectives for financial reporting, future business plans, results of operations, financial condition and trends. Forward-looking statements are typically accompanied by, and identified with, terms such as “estimates,” “continue,” “promote,” “consider,” “enables,” “currently,” “priorities,” “remain,” “anticipate,” “initiative,” “preliminary,” “ongoing,” “believes,” “expects,” “intend,” “plan,” “future,” “seek,” “potential,” “objectives,” “long-term,” “ultimately,” “goal,” “will,” “may,” “might,” “should,” “could,” “would,” “likely” and similar phrases. This Offering Circular includes forward-looking statements. These statements are not historical facts, but rather represent our expectations based on current information, plans, estimates and projections. Forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control. You should be careful about relying on any forward-looking statements and should also consider all risks, uncertainties and other factors described in this Offering Circular and the Information Statement in considering any forward-looking statements. Actual results may differ materially from those discussed as a result of various factors, including those factors described in the *Risk Factors* section of this Offering Circular and the Information Statement incorporated by reference herein. Factors that could cause actual results to differ materially from the expectations expressed in these and other forward-looking statements by management include, among others:

- our ability to effectively and timely implement the remediation plan undertaken as a result of the restatement of our consolidated financial statements and the consent order entered into with OFHEO, including particular initiatives relating to technical infrastructure and controls over financial reporting;
- our ability to effectively implement our business strategies and manage the risks in our business;
- changes in our assumptions regarding rates of growth in our business, spreads we expect to earn, required capital levels and the timing and impact of capital transactions;
- our ability to effectively manage and implement changes, developments or impacts of accounting standards and interpretations;
- the availability of debt financing and equity capital in sufficient quantity and at attractive rates to support continued growth in our retained portfolio, to refinance maturing debt and to meet regulatory capital requirements;
- changes in pricing or valuation methodologies, models, assumptions and/or estimates;
- volatility of reported results due to changes in fair value of certain instruments or assets;
- the rate of growth in total outstanding U.S. residential mortgage debt and the size of the U.S. residential mortgage market;
- preferences of originators in selling into the secondary market;
- borrower preferences for fixed-rate mortgages or adjustable-rate mortgages;

- investor preferences for mortgage loans and mortgage-related and debt securities versus other investments;
- the occurrence of a major natural or other disaster in geographic areas in which portions of our total mortgage portfolio are concentrated;
- other factors and assumptions described in our Information Statement, including in the sections titled *Business*, *Risk Factors* and *Management's Discussion and Analysis of Financial Condition and Results of Operations*;
- our assumptions and estimates regarding the foregoing; and
- market reactions to the foregoing.

We undertake no obligation to update forward-looking statements we make to reflect events or circumstances after the date of this Offering Circular, or to reflect the occurrence of unanticipated events.

FREDDIE MAC

**CERTIFICATE OF CREATION, DESIGNATION, POWERS,
PREFERENCES, RIGHTS, PRIVILEGES, QUALIFICATIONS,
LIMITATIONS, RESTRICTIONS, TERMS AND CONDITIONS
of
5.9% NON-CUMULATIVE PERPETUAL PREFERRED STOCK
(Par Value \$1.00 Per Share)**

I, KEVIN I. MACKENZIE, Assistant 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 2005-29 on October 5, 2005, which resolution is now, and at all times since such date has 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 5.9% 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 “5.9% Non-Cumulative Perpetual Preferred Stock,” shall have a par value of \$1.00 per share and shall consist of 20,000,000 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 distributions upon liquidation, on a parity with (a) the 6.42% Non-Cumulative Preferred Stock issued on July 17, 2006, (b) the Variable Rate, Non-Cumulative Preferred Stock issued on July 17, 2006, (c) the 5.81% Non-Cumulative Preferred Stock issued on January 29, 2002, (d) the 5.7% Non-Cumulative Preferred Stock issued on October 30, 2001, (e) the 6% Non-Cumulative Preferred Stock issued on May 30, 2001, (f) the Variable Rate, Non-Cumulative Preferred Stock issued on May 30, 2001 and June 1, 2001, (g) the 5.81% Non-Cumulative Preferred Stock issued on March 23, 2001, (h) the Variable Rate, Non-Cumulative Preferred Stock issued on March 23, 2001, (i) the Variable Rate, Non-Cumulative Preferred Stock issued on January 26, 2001, (j) the Variable Rate, Non-Cumulative Preferred Stock issued on November 5, 1999, (k) the 5.79% Non-Cumulative Preferred Stock issued on July 21, 1999, (l) the 5.1% Non-Cumulative Preferred Stock issued on March 19, 1999, (m) the 5.3% Non-Cumulative Preferred Stock issued on October 28, 1998, (n) the 5.1% Non-Cumulative Preferred Stock issued on September 23, 1998, (o) the Variable Rate, Non-Cumulative Preferred Stock issued on September 23, 1998 and September 29, 1998, (p) the 5% Non-Cumulative Preferred Stock issued on March 23, 1998, (q) the 5.81% Non-Cumulative Preferred Stock issued on October 27, 1997, (r) the 6.14% Non-Cumulative Preferred

Stock issued on June 3, 1997 and (s) the Variable Rate, Non-Cumulative Preferred Stock issued on April 26, 1996 (collectively, the “Existing Preferred Stock”).

2. Dividends

(a) 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 5.9%, or \$1.475, per share of Non-Cumulative Preferred Stock. Dividends on the Non-Cumulative Preferred Stock shall accrue from but not including October 16, 2006 and will be 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, 2006. 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 (c) a day on which the offices of Freddie Mac are closed.

If declared, the initial dividend, which will be for the period from but not including October 16, 2006 through and including December 31, 2006, will be \$0.303 per share. Thereafter, dividends will accrue from Dividend Period to Dividend Period at a rate equal to 5.9% divided by four; 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. Except for the initial Dividend Payment Date, 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.

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 preceding sentence.

(b) 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.

(c) 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 arrear 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 and on the shares of such other class or series bear to each other.

(d) 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 September 30, 2011. 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 \$25.00 per share plus an amount, determined in accordance with Section 2(a) 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, whether or not declared. 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. If Freddie Mac redeems the Non-Cumulative Preferred Stock, the dividend that would otherwise be payable for the Dividend Period ending on the date of redemption will be included in the redemption price of the shares redeemed and will not be separately payable.

(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 exchange, 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, other than the right to receive the redemption price for such redeemed shares.

(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 \$25.00 per share plus an amount, determined in accordance with Section 2(a) 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 amount 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 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 distributions 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 distributions upon liquidation, whether or not the dividend rates or amounts, dividend payment dates or redemption or 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 distributions 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: Vice President and Deputy General Counsel — Securities. 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 16th day of October, 2006.

[Seal]

Kevin I. MacKenzie, *Assistant Secretary*

If you intend to purchase Preferred Stock, you should rely only on the information in this Offering Circular, including the information in the documents that we have incorporated by reference herein. 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 Preferred Stock in any jurisdiction that prohibits its offer.

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20,000,000 Shares

Freddie Mac

20,000,000 Shares
5.9% Non-Cumulative
Perpetual Preferred Stock
(Liquidation Preference
\$25.00 Per Share)



Lehman Brothers
Merrill Lynch & Co.

Goldman, Sachs & Co.
Banc of America Securities LLC
Bear, Stearns & Co. Inc.
JPMorgan
Morgan Stanley

October 11, 2006
