

**PRICING SUPPLEMENT DATED July 15, 2003
(to the Offering Circular Dated April 4, 2003)**



\$4,000,000,000

Freddie Mac

**GLOBAL DEBT FACILITY
1.50% Fixed Rate Notes Due August 15, 2005**

Reference Notes[®] Securities

This Pricing Supplement relates to the Reference Notes[®] Securities (the "Notes") of the Federal Home Loan Mortgage Corporation ("Freddie Mac") described below and should be read in conjunction with the Offering Circular dated April 4, 2003 and all documents incorporated by reference in the Offering Circular, including Freddie Mac's Information Statement dated March 29, 2002 and any supplements to such Information Statement. Capitalized terms used in this Pricing Supplement and not otherwise defined in this Pricing Supplement have the meanings given to them in the Offering Circular.

The Notes are not suitable investments for all investors. In particular, no investor should purchase the Notes unless the investor understands and is able to bear the yield, market and liquidity risks associated with the Notes. See "Risk Factors - The Debt Securities May Not Be Suitable For You" in the Offering Circular.

The Notes are obligations of Freddie Mac only. The Notes, including any interest or return of discount on the Notes, are not guaranteed by, and are not debts or obligations of, the United States or any agency or instrumentality of the United States other than Freddie Mac. The Notes are not tax-exempt. Non-U.S. owners generally will be subject to United States federal income and withholding tax unless they establish an exemption. Because of applicable U.S. securities law exemptions, we have not registered the Notes with any U.S. federal or state securities commission. No U.S. securities commission has reviewed the Offering Circular or this Pricing Supplement.

Certain Notes Terms

1. Title: 1.50% Fixed Rate Notes Due August 15, 2005
2. Form: Book-Entry
3. Specified Payment Currency:
 - a. Specified Interest Currency: U.S. dollars
 - b. Specified Principal Currency: U.S. dollars
4. Aggregate Original Principal Amount: \$4,000,000,000
5. Issue Date: July 17, 2003
6. Denominations: \$1,000 and additional increments of \$1,000
7. Maturity Date: August 15, 2005
8. Amount Payable on the Maturity Date: Fixed Principal Repayment Amount
100% of principal amount
9. Subject to Redemption or Repayment Prior to Maturity Date: No
10. Payment Terms of the Debt Securities: Fixed Rate Debt Securities
11. Interest:
 - a. Frequency of Interest Payments: Semiannually
 - b. Interest Payment Dates: February 15 and August 15, commencing February 15, 2004
 - c. Interest rate per annum: 1.50%
 - d. Accrual Method (i.e., Day Count Convention): 30/360

Additional Information Relating to the Notes

1. Identification Number(s):
 - a. CUSIP: 3134A4TX2
 - b. ISIN: US3134A4TX21
 - c. Common Code: 17308335
2. Listing Application: Yes - Luxembourg Stock Exchange: An application has been made with the Luxembourg Stock Exchange to list the Debt Securities.
3. Eligibility for Stripping: Yes – Interest for first Interest Payment Period may not be stripped. Minimum principal amount: \$400,000 in minimum increments of \$3,000

4. Governing Law:

The Notes will be governed by the federal laws of the United States. The local laws of the State of New York will be deemed to reflect the federal laws of the United States, unless there is applicable precedent under federal law or the application of New York law would frustrate the purposes of the Freddie Mac Act or the Global Facility Agreement.

Offering

1. Pricing Date: July 15, 2003

2. Method of Distribution: Principal

3. Dealer Underwriting Commitment

Citigroup Global Markets Group	\$1,200,000,000
Credit Suisse First Boston LLC	1,000,000,000
Merrill Lynch Government Securities Inc.	1,000,000,000
Greenwich Capital Markets, Inc.	125,000,000
First Tennessee Bank National Association	110,000,000
ABN AMRO Bank N.V.	100,000,000
Lehman Brothers Inc.	85,000,000
UBS Securities LLC	80,000,000
Banc of America Securities LLC	70,000,000
Bear, Stearns & Co. Inc.	60,000,000
Deutsche Bank Securities Inc.	60,000,000
Morgan Stanley & Co. Incorporated D/B/A Morgan Stanley	60,000,000
Goldman, Sachs & Co.	<u>50,000,000</u>
	<u>\$4,000,000,000</u>

Representatives: Citigroup Global Markets Group
 Credit Suisse First Boston LLC
 Merrill Lynch Government Securities Inc.

Stabilizing Manager: Citigroup Global Markets Group

4. Fixed Offering Price: 99.871%, plus accrued interest, if any, from the settlement date

5. Purchase Price to Applicable Dealer: 99.80850% of principal amount
 Concession: .50%
 Reallowance: .25%

Settlement

1. Settlement Date of the Notes offered hereby: July 17, 2003
2. Settlement Basis: Delivery versus payment
3. Settlement Clearing System: U.S. Federal Reserve Banks
Euroclear
Clearstream, Luxembourg

Other**Capitalization and Selected Financial Information**

As discussed on pages 64 and 65 of the Offering Circular dated April 4, 2003 and in the Information Statement Supplements dated January 27, 2003 and March 25, 2003, which are attached as Appendices B and C to the Offering Circular, the Information Statement Supplement dated April 24, 2003, and the Information Statement Supplements dated June 11, 2003 and June 25, 2003, which are attached as Exhibits A and B to this Pricing Supplement, and as may be discussed in subsequent Information Statement Supplements, Freddie Mac's financial results for 2002, 2001 and 2000 will be restated. Freddie Mac expects that the likely cumulative effect of the restatements will be to materially increase reported earnings for those periods above the earnings that were previously reported for those periods and materially increase Freddie Mac's capital surplus under its regulatory minimum capital requirements as of the end of 2002.

Exhibit A

**Supplement dated June 11, 2003 to
Information Statement dated March 29, 2002**

FREDDIE MAC ANNOUNCES NEW LEADERSHIP
Gregory J. Parseghian Named Chief Executive Officer and President

McLean, VA — On June 9, 2003, Freddie Mac (NYSE:FRE) announced that the Board of Directors has elected Gregory J. Parseghian as Chief Executive Officer and President and Paul T. Peterson, Executive Vice President, as Chief Operating Officer. Martin F. Baumann, Executive Vice President—Finance, has been appointed Chief Financial Officer. The Board of Directors also elected Shaun F. O’Malley as non-executive Chairman of the Board.

Freddie Mac also announced the retirement of Leland C. Brendsel as Chairman and Chief Executive Officer and his resignation from the Board of Directors. Freddie Mac anticipates that Mr. Brendsel, 61, will continue to serve in his role as Chair of the Freddie Mac Foundation.

Parseghian said, “Freddie Mac is a company with an outstanding franchise and vital mission. Our focus going forward will be to provide excellent long-term returns on shareholder capital while maintaining our world-class risk management discipline, our unparalleled financial strength and our absolute commitment to expanding homeownership opportunities.”

“This new management team possesses the capability, vision and energy to lead Freddie Mac in fulfilling our housing mission and building shareholder value,” O’Malley said. “The Board will work closely with the executive leadership team to ensure that Freddie Mac resolves its financial reporting issues in a complete and timely manner.”

Earlier this year, the company announced a restatement of its 2002, 2001 and 2000 financial results. Freddie Mac continues to expect that the likely cumulative effect of the restatements will be to materially increase reported earnings for prior periods and materially increase the corporation’s capital surplus under its regulatory minimum capital requirements as of the end of 2002. The company further expects significant volatility in reported quarterly earnings for those periods. The company also expects that adjustments affecting its income will relate substantially to changes in the timing of income recognition, and, as a result, cumulative increases related to the adjustments will have offsetting effects in future periods. In addition, the company expects increased volatility in future periods.

The company continues to work toward completing the previously announced restatement process and releasing its restated results shortly after the end of the second quarter of 2003. However, the restatement process may not be fully concluded until later in the third quarter. “Job number one is to get our financial statements right,” said Parseghian. “We are committed to providing re-audited financial statements to the market as soon as possible and to taking any and all steps necessary to ensure that our people, processes and controls are of the highest caliber going forward. I am today assigning responsibility for our entire restatement effort to Marty Baumann, our new Chief Financial Officer. Marty’s depth of experience and knowledge make him exactly the right person to get the job done.”

Parseghian, 42, has been Executive Vice President—Chief Investment Officer for Freddie Mac since June 2002. In that position, he was responsible for the firm's \$600 billion retained mortgage portfolio, debt

and mortgage-backed securities issuance programs and asset/liability risk management strategies. Before his appointment to Executive Vice President, Parseghian was senior vice president and chief investment officer since 1996. Prior to joining Freddie Mac, Parseghian was a managing director of Salomon Brothers, a partner of BlackRock Financial Management, and a managing director of First Boston Corporation.

Peterson, 53, was previously Executive Vice President—Single Family, responsible for overseeing all Single Family division operations, a post to which he was appointed in December 1999. Peterson has been with Freddie Mac for 14 years, and his previous posts include senior vice president of the Servicer division. Prior to joining Freddie Mac, Peterson was president of Market Street Mortgage Corporation and chairman and CEO of CalAmerica Savings and Loan.

Baumann, 55, was appointed Executive Vice President—Finance in March 2003. As EVP-Finance and Chief Financial Officer, Baumann is responsible for accounting, corporate planning, taxation, shareholder relations, and market and operating risk oversight. Prior to joining Freddie Mac, Baumann served as partner, deputy chairman of the World Financial Services Practice, and as global banking leader for PricewaterhouseCoopers.

O'Malley, 67, is the Retired Chairman of Price Waterhouse LLP, where he was Chairman and Senior Partner from 1988 to 1995. He was also President of the Financial Accounting Foundation from 1990 to 1992 and served as a Chair of the Accounting Profession's Public Oversight Board's Panel on Audit Effectiveness in 1999-2000. O'Malley has served on Freddie Mac's Board since 2001 and is Chair of the Board's committee overseeing the restatement process.

On June 9, 2003, the Board also announced the resignation of Vaughn Clarke, formerly Executive Vice President—Chief Financial Officer and the termination of David Glenn, formerly President and Chief Operating Officer. Mr. Glenn was terminated because of serious questions as to the timeliness and completeness of his cooperation and candor with the Board's Audit Committee counsel, retained in January 2003 to review the facts and circumstances surrounding the principal accounting errors identified during the restatement process. The Board's Audit Committee has directed its counsel to review the facts and circumstances surrounding Mr. Glenn's termination.

The corporation has informed its regulator OFHEO, the SEC and the NYSE about the matters described herein. The Board and management are fully cooperating with OFHEO, the SEC and the NYSE and will continue to do so. As OFHEO announced on June 9, 2003, it has directed the Board and Freddie Mac to take certain actions to address the issues surrounding the restatement. The Board and management have undertaken to fully and effectively implement these actions and will diligently work with OFHEO's investigative team.

Legal Proceedings

Securities Class Action Lawsuit. On June 9, 2003, Freddie Mac and certain former executive officers were named as defendants in a securities class action lawsuit alleging violations of federal securities laws and regulations. This action is pending in the U.S. District Court for the Southern District of New York. The plaintiffs claim that the defendants disseminated materially false and misleading statements to the market and failed to disclose material information concerning, among others, the following matters: (1) the lack of adequate internal accounting controls and personnel expertise; (2) the failure to follow accounting rules that require derivative securities to be marked to market; (3) the use of accounting

techniques to lower earnings results in good times and lift results when business conditions deteriorated; and (4) providing investigators with altered records to conceal improper accounting techniques. These allegations cover the period from January 27, 2003 through June 9, 2003. The plaintiffs seek unspecified compensatory damages, costs and expenses.

Freddie Mac anticipates that additional lawsuits relating to the matters described in this Information Statement Supplement will be filed.

SEC Formal Investigation. On June 11, 2003, Freddie Mac announced that it has been informed by the staff of the Securities and Exchange Commission (SEC) that the SEC has commenced a formal investigation. By doing this, the SEC is able to issue subpoenas for witnesses and documents, particularly from third parties outside the corporation. Freddie Mac received a subpoena from the SEC on June 11, 2003 requesting document production and testimony.

Shaun O'Malley, Chairman of the Board of Directors, stated, "Since January of this year, the Board of Directors has ordered full cooperation with the SEC's informal inquiry. We will continue to cooperate in all respects as the investigation continues. The Board of Directors is continuing to supervise closely the company's evaluation of all matters related to the restatement. Our Audit Committee counsel's active review, as of this date, does not indicate that any employee of Freddie Mac other than Mr. Glenn has engaged in conduct of the kind we disclosed on Monday. We can also confirm that the conduct we disclosed on Monday related to Mr. Glenn's diaries and not to the company's accounting records."

U.S. Attorney's Criminal Investigation. On June 11, 2003, Freddie Mac was informed that the U.S. Attorney's office in Alexandria, Virginia has opened a criminal investigation involving the company. Freddie Mac intends to cooperate in all respects with this investigation.

Congressional Hearings. Freddie Mac anticipates that various Congressional committees will hold hearings concerning the matters described in this Information Statement Supplement. The Capital Markets Subcommittee of the House Financial Services Committee has announced that it will hold one or more hearings to examine accounting issues at Freddie Mac, as well as the regulatory oversight of the housing government sponsored enterprises.



**Supplement dated June 25, 2003 to
Information Statement dated March 29, 2002**

FREDDIE MAC REPORTS ON RESTATEMENT PROGRESS

McLean, VA—Freddie Mac (NYSE:FRE) today provided a progress update on issues relating to its previously announced restatement of prior year financial results.

“The new management team of Freddie Mac, working closely with our Board of Directors, is determined to set high standards for candor and transparency in our financial reporting. Our investors and the public should expect and demand nothing less,” said Gregory J. Parseghian, chief executive officer and president. “The information we are disclosing today reflects poorly on Freddie Mac’s past accounting, control and disclosure practices. Management is aggressively addressing these issues. At the same time, we remain focused on our business and mission. Based on our current understanding, we expect the cumulative effect of the restatement to increase retained earnings as of December 31, 2002, by a range of \$1.5 billion to \$4.5 billion. Today we also are announcing that we expect to report a material increase in the fair value of shareholders’ equity for year-end 2002 over 2001.”

The corporation is working toward completing the restatement process and releasing its restated results during the third quarter of 2003.

“Freddie Mac is dedicating extraordinary resources to completing this labor intensive restatement process,” said Martin F. Baumann, executive vice president—Finance and chief financial officer. “We are working closely with our independent auditor and other advisors to complete this job as quickly as possible.”

Impact of Restatement on Financials and Business

As stated above, Freddie Mac continues to expect that the cumulative effect of the restatement will be to materially increase retained earnings for prior periods and materially increase its capital surplus under its regulatory minimum capital requirement as of December 31, 2002. Based on the information currently available, management believes that the expected cumulative effect of the restatement is to increase retained earnings as of December 31, 2002, by a range of \$1.5 billion to \$4.5 billion. Management cautions, however, that neither the restatement nor re-audit processes are complete and the final determination of the cumulative effect could therefore differ from this range. The expected cumulative increase to retained earnings will likely be driven primarily by gains on certain derivatives and mortgage securities that will be marked to fair value during periods in which interest rates were declining. In addition, the corporation continues to expect that adjustments affecting its income will relate substantially to changes in the timing of income recognition, and, as a result, cumulative increases related to these adjustments will have offsetting effects in future periods. These accounting policy changes will cause greater volatility in Freddie Mac’s financial statements for prior periods. Freddie Mac believes there also will be significant volatility in its results in future periods.

Freddie Mac also expects a material increase in the fair value of shareholder equity in its fair value balance sheet as of year-end 2002 versus year-end 2001. This expected increase is subject to completion of the restatement and re-audit processes. Freddie Mac’s economic hedges remain effective, as demonstrated by its consistently low levels of portfolio market value sensitivity (“PMVS”) and narrow duration gap. The accounting policies that will be implemented in connection with the restatement will not adversely affect Freddie Mac’s ability to invest in or securitize mortgages, or prudently manage the risks in its business.

Factors Contributing to Restatement

The accounting errors being corrected in the restatement arose from Freddie Mac's re-evaluation, in conjunction with PricewaterhouseCoopers LLP ("PwC"), Freddie Mac's independent auditor, of certain accounting policies previously used by Freddie Mac. PwC was appointed in March 2002, replacing Arthur Andersen.

As previously announced, the outside directors of Freddie Mac's Board retained outside counsel ("Board Counsel") to review the facts and circumstances relating to certain of the principal accounting errors identified during the restatement process. Board Counsel has advised Freddie Mac that it expects to complete its review and present its written, final report to the Audit Committee and Board of Directors prior to the completion of the re-audit process and will issue a written, interim report during July 2003. Freddie Mac expects to make public Board Counsel's principal findings following those presentations.

Board Counsel has presented preliminary findings to the Audit Committee and the Board as to the factors contributing to the need for restatement. The principal factors thus far identified by Board Counsel are lack of sufficient accounting expertise and internal control and management weaknesses as a consequence of which Freddie Mac personnel made numerous errors in applying Generally Accepted Accounting Principles (GAAP). In addition, Board Counsel has noted that certain capital market transactions and accounting policies had been implemented with a view to their effect on earnings in the context of Freddie Mac's goal of achieving steady earnings growth, and that the disclosure processes and disclosure in connection with those transactions and policies did not meet standards that would have been required of Freddie Mac had it been an SEC registrant. The preliminary findings also note that certain reserve account and other adjustments, that were known departures from GAAP and that were not considered to be material at the time, were made with a view to their effect on earnings. In most cases, Freddie Mac believed at the time the accounting for the transactions, policies and adjustments being reviewed was appropriate and reached these conclusions after consultations with its previous independent auditor.

Board Counsel is continuing its investigation and is expected to present its findings to the Audit Committee and the Board when it presents its written reports. The Board and management will continue to conduct a rigorous review of these matters and take appropriate actions when determinations are made. As Freddie Mac previously has announced, the Board and management are fully cooperating with OFHEO, the SEC and the U.S. Attorney's office in the Eastern District of Virginia in connection with their respective investigations. The company believes that legal characterization of these matters is appropriately left to these agencies at this time.

"The Board's election of new management was made following in-depth consultation with Board Counsel and company's outside counsel," said Shaun F. O'Malley, chairman of Freddie Mac's Board of Directors. "We have every confidence that we have the right management team in place to lead the company and address these serious accounting and control issues."

Freddie Mac has taken numerous steps to date to enhance its internal accounting expertise and controls and will continue to implement remedial steps to address the deficiencies identified by the Board Counsel. Freddie Mac has previously announced its intention to voluntarily register with the SEC in order to become a reporting company under the Securities Exchange Act of 1934. Freddie Mac's new management reiterates its intention to resume the registration process once the restatement and re-audit are complete.

Actions to Address Factors Contributing to Restatement

Freddie Mac is aggressively addressing the factors contributing to the restatement and matters under review by Board Counsel and is committed to achieving high standards of accounting and financial controls. In March 2003, the Board established an ad hoc committee to oversee the restatement effort led by O'Malley. In May 2003, the Board directed its Governance Committee, composed of the presiding director and the chairs of all Board standing committees, to conduct weekly meetings with management regarding the progress of remediation efforts. These efforts are being led by EVP-Finance and Chief Financial Officer Baumann, who brings more than 30 years of experience as a partner, deputy chairman of the World Financial Services Practice and global banking leader for PricewaterhouseCoopers.

Freddie Mac has taken significant actions since the beginning of last year to address its internal control, accounting and financial reporting weaknesses, including the following:

- Added several senior level professionals possessing significant accounting and control expertise, particularly in the area of accounting policy.
- Increased its staff from 54 to 88 full-time employees within its largest accounting and reporting unit responsible for the mortgage, debt and derivative portfolios ("Retained Portfolio").
- Enhanced its control and operating risk oversight by establishing an Operating Risk Oversight function now reporting directly to Baumann.
- Strengthened the review and approval process for critical business transactions, new products and strategies.
- Improved accounting processes by strengthening reconciliation procedures, supervisory review controls, and accounting systems infrastructure.

In addition to these actions, the new executive management team is implementing a comprehensive remediation program with direct oversight by the Governance Committee of the Board. The program is effectuating broad changes in the finance function. This program includes initiatives around governance, human resources, corporate culture, financial reporting and disclosure, accounting policies, processes and controls, and compliance with the Sarbanes-Oxley Act. New management has shared this remediation program with OFHEO and will continue to provide ongoing updates.

"Freddie Mac is committed to strict compliance with GAAP and meeting fully the spirit and intent of all rules and regulations surrounding financial reporting. I am confident that we will emerge from this process stronger than ever, with high-quality accounting and financial reporting controls that match our world class risk management capabilities and powerful business fundamentals," Baumann said.

Summary of Accounting Corrections and Scope of Activities

As Freddie Mac announced in January 2003, the restatement will affect the corporation's financial statements for 2002, 2001 and 2000. These financial statements will be covered by the audit opinion of PwC. Freddie Mac's financial results for periods prior to 2000 will also be affected by the restatement as a result of accounting errors. The impact of these corrections for periods prior to 2000 will be reflected as an adjustment to the beginning balance of retained earnings as of January 1, 2000.

Correcting certain accounting errors will change significantly Freddie Mac's previously reported GAAP results for 2002 and prior years. Historically, a significant portion of Freddie Mac's mortgage securities were classified as held to maturity (HTM) and, accordingly, reported at cost adjusted for amortization of premiums and discounts. As a result, changes in those securities' fair value did not affect current period earnings or stockholders' equity. The restatement will shift all securities previously classified for accounting purposes as HTM to the available for sale (AFS) or trading classifications. All of Freddie Mac's mortgage securities will be marked to fair value, some through current period earnings (trading) and some directly to stockholders' equity (AFS).

In addition, as a result of the restatement, a majority of the corporation's derivatives in 2001 and 2002 will not qualify as accounting hedges. Gains and losses from the change in fair value of these derivatives will directly affect current period earnings as a result of removing previously recorded gains and losses related to certain hedged items and recognizing gains and losses previously deferred in shareholders' equity.

These accounting policy changes will cause greater volatility in Freddie Mac's GAAP financial statements for prior periods. Freddie Mac believes there also will be significant volatility in its GAAP results in future periods.

Based on the information currently available, the corrections the corporation is making fall primarily into the five categories described below. Management cautions, however, that because the restatement is not complete, additional issues may still arise.

Security Classification: During the period covered by the restatement, the corporation sold securities designated for accounting purposes as HTM in circumstances that would not permit the continued use of the HTM category. This means that the corporation must discontinue use of the HTM accounting classification for all securities in that category until at least 2004. Freddie Mac's entire portfolio of HTM securities will be reclassified for accounting purposes to the AFS category, with unrealized gains and losses on the HTM securities at the time of the reclassification recorded to the stockholders' equity section of the balance sheet. This reclassification will need to be recorded in each restatement period, involving up to \$260 billion of mortgage securities comprising in aggregate well over 100,000 individual security records.

The corporation also transferred certain mortgage securities designated for accounting purposes as "trading" into both HTM and AFS classifications when the securities should have remained classified as trading. This correction will require Freddie Mac to reclassify these HTM and AFS securities back to trading, with unrealized gains and losses on the securities to be reported in current period earnings. These unrealized gains and losses previously had been deferred and not recognized.

Accounting for Derivative Instruments: As part of its ongoing risk management activities, Freddie Mac uses derivative instruments to manage the interest-rate risk associated with its assets and liabilities. Accounting issues associated with the restatement do not change the effectiveness of these derivative instruments from an economic risk management perspective. Notwithstanding the continued economic effectiveness of Freddie Mac's hedges, the restatement will require changes to accounting for derivative instruments in three main areas:

- Freddie Mac treated certain cash market instruments as derivatives that did not meet the GAAP accounting definition of a derivative and applied hedge accounting. Correction of this will require Freddie Mac to reverse from current period earnings gains and losses related to the hedged items (*i.e.*, debt securities issued by Freddie Mac) that were recorded in earnings as part of the hedge accounting relationship.
- Freddie Mac did not adequately document and test certain derivative instruments accounted for as hedges. As part of the restatement, Freddie Mac must reverse the hedge accounting entries related to certain of these accounting hedges. This will result in removing previously recorded gains and losses

related to the hedged items from current period earnings for certain fair value hedges, and recording in current period earnings previously deferred gains and losses for certain cash flow hedges. This process involves several hundred thousand security records during the restatement period. Although these derivatives did not qualify for hedge accounting, they proved to be economically effective hedges of Freddie Mac's portfolio of assets and liabilities.

- Freddie Mac enters into forward commitments to acquire mortgage securities in the ordinary course of business. These commitments generally qualified as derivatives under GAAP, however, the changes in fair value of certain of these commitments to acquire mortgage securities were not recorded in current period earnings. In addition to recording the fair value of these commitments in earnings, Freddie Mac will be required to restate the initial premiums and discounts on the acquired mortgage securities and related amortization thereafter.

Asset Transfers and Securitizations: Freddie Mac accounted for certain transfers of mortgage securities to third parties as financings when they should have been accounted for as sales under GAAP. In addition, Freddie Mac did not record certain retained interests and credit obligations related to credit guarantees required when Freddie Mac sells mortgage securities. Freddie Mac will be required to record gains and losses on the sales transactions including the effects of retained interests and credit obligations, and reverse the effects of financing treatment.

Valuation of Financial Instruments: Freddie Mac has concluded that the reported fair values of certain option-related derivatives did not incorporate all applicable market pricing data. Therefore, fair values for these options will be changed to consider such data. These corrections will be recorded in current period earnings in the relevant restatement periods. The result of the re-valuation of these derivatives is expected to increase the net fair value presented in Freddie Mac's fair value balance sheet, which had previously been disclosed in Freddie Mac's Annual Report to Shareholders.

All Other: During the course of the restatement process, Freddie Mac has identified numerous other accounting policies, practices and entries requiring correction. These changes touch on many aspects of Freddie Mac's financial statements. In addition, Freddie Mac previously reported minor accounting corrections through earnings in the periods the errors were discovered. Freddie Mac's restated financial statements will reflect these corrections in the periods affected rather than the period in which the errors were discovered. Management believes that individually and in the aggregate these changes will have a smaller impact on cumulative retained earnings at December 31, 2002, relative to the categories discussed above.

“Given the number of accounting issues involved, the volume of Freddie Mac's securities and derivatives transactions, the number of years being restated, and the fact that the re-audit is being completed by auditors not previously involved with our prior years' financial statements, the time being taken to complete this restatement is entirely appropriate,” said Baumann. “I am determined to do this job comprehensively and accurately so that investors and the public will have complete confidence in our financial reporting going forward.”

O'Malley concluded, “Freddie Mac is moving forward aggressively and confidently. Our business fundamentals remain exceptionally strong. We expect the restatement to increase our assets, retained earnings and capital. And we are putting in place the accounting controls, people and processes equal to the excellence we expect of Freddie Mac.”

Future Financial Performance Disclosures

Freddie Mac is committed to disclosing information that is useful to investors in understanding its financial performance. Previously, Freddie Mac has reported “Operating Earnings,” a non-GAAP financial measure derived from GAAP financial statements. As a result of changes in its GAAP accounting policies occasioned by the restatement, particularly those affecting derivatives accounting, management has concluded that “Operating Earnings” no longer will be meaningful. Therefore Freddie Mac will neither restate nor provide this measure in its periodic financial reporting.

Freddie Mac expects to provide two supplemental disclosures later this year or beginning in 2004. This will include quarterly changes in Freddie Mac’s fair value balance sheet and a new non-GAAP financial measure.

Legal Proceedings

Securities Class Action Lawsuits. Since June 11, 2003, the date of the last supplement to the Information Statement dated March 29, 2002 (the “June 11 Supplement”), ten additional lawsuits relating to the matters set forth in this Information Statement Supplement and the June 11 Supplement have been filed against Freddie Mac and certain former executive officers. These lawsuits seek class action treatment, include slightly different allegations, cover different class periods (which begin on dates ranging from April 18, 2000 to January 27, 2003, and end on June 9, 2003), and seek unspecified compensatory damages, costs and expenses.

Freddie Mac anticipates that additional lawsuits relating to the matters described in the June 11 Supplement and this Information Statement Supplement will be filed.