

## FreddieNotes<sup>SM\*</sup>

**Due From Twelve Months to Thirty Years from Issue Date**  
**Periodically repayable on a restricted basis at the option of Survivor Representatives and**  
**redeemable at the option of Freddie Mac as described in "Description of FreddieNotes"**

We plan to offer and sell notes with various terms, which may include the following:

- maturity of twelve months or more from the date of issue,
- interest at a fixed rate,
- interest payment dates at monthly, quarterly, semi-annual or annual intervals,
- book-entry form (through The Depository Trust Company),
- redemption provisions, if applicable, whether mandatory or at our option, and
- minimum denominations of \$1,000 or integral multiples of \$1,000.

We will specify the final terms of each note, which may be different from the terms described in this Offering Circular Supplement, in the applicable Pricing Supplement.

**Investing in the notes involves certain risks. See "Risk Factors" beginning on page 9 of the accompanying Offering Circular and appearing on page S-3 of this Offering Circular Supplement.**

We may sell notes to the agents as principal for resale at varying or fixed offering prices or through the agents as agent using their reasonable best efforts on our behalf. You must pay for the notes by delivering the purchase price to an agent, unless you make other payment arrangements.

**FreddieNotes are obligations of Freddie Mac only. FreddieNotes, including any interest or return of discount on FreddieNotes, 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.**

ABN AMRO Financial Services, Inc.

A.G. Edwards & Sons, Inc.

Charles Schwab & Co., Inc.

Edward D. Jones & Co., L.P.

Morgan Stanley Dean Witter

Prudential Securities Incorporated

Salomon Smith Barney

UBS PaineWebber Inc.

\* "FreddieNotes<sup>SM\*</sup>" is a service mark of Freddie Mac.

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### Offering Circular

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## **ABOUT THIS OFFERING CIRCULAR SUPPLEMENT AND PRICING SUPPLEMENTS**

You should read this Offering Circular Supplement together with Freddie Mac's Debentures, Medium-Term Notes and Discount Notes Offering Circular, dated May 7, 2002 (the "Offering Circular"), which accompanies this Offering Circular Supplement, and all documents that are incorporated by reference in the Offering Circular, which contain important detailed information about FreddieNotes and Freddie Mac. See "Available Information" in the Offering Circular. Capitalized terms used in this Offering Circular Supplement have the meanings we gave them in the Offering Circular, unless we specify otherwise.

This Offering Circular Supplement sets forth certain terms of the FreddieNotes that we may offer and supplements the Offering Circular that is attached to the back of this Offering Circular Supplement. This Offering Circular Supplement supersedes the Offering Circular and all prior Offering Circular Supplements to the Offering Circular to the extent it contains information that is different from the information in the Offering Circular and any prior Offering Circular Supplements.

Each time we offer FreddieNotes, we will attach a Pricing Supplement to this Offering Circular Supplement. The Pricing Supplement will contain the specific description of the FreddieNotes we are offering and the terms of the offering. The Pricing Supplement will supersede this Offering Circular Supplement or the Offering Circular to the extent it contains informa-

tion that is different from the information contained in this Offering Circular Supplement or the Offering Circular.

## **RISK FACTORS**

***FreddieNotes may not be suitable investments for you. You should not purchase FreddieNotes unless you understand and are able to bear the redemption, yield, market, liquidity and other possible risks associated with FreddieNotes. You should read and evaluate the discussion of risk factors (especially those risk factors that may be particularly relevant to this security) that appear below as well as those beginning on page 9 of the Offering Circular.***

*FreddieNotes will clear and settle through the DTC rather than the Federal Reserve Banks.*

Investors should note that, unlike most Freddie Mac debt securities, FreddieNotes will not clear and settle on the book-entry system of the Federal Reserve Banks. Instead, FreddieNotes will clear and settle on the book-entry system operated by The Depository Trust Company or its successor (the "Depository"). Consequently, the secondary market for FreddieNotes may be less liquid than the secondary market for comparable Freddie Mac debt securities which clear and settle on the book-entry system of the Federal Reserve Banks.

## **DESCRIPTION OF FREDDIENOTES**

The obligations we are offering by this Offering Circular Supplement and the related Pricing Supplement ("FreddieNotes")

constitute a series of debt securities for purposes of the Debenture and Medium-Term Note Agreement. FreddieNotes will rank equally in all respects with all unsubordinated debt securities issued under the Debenture and Medium-Term Note Agreement. For a summary of that agreement and the rights of the Holders of debt securities thereunder, including FreddieNotes, see “Description of the Securities” and “The Agreements” in the Offering Circular.

The following description of the terms and conditions of FreddieNotes supplements, and to the extent inconsistent with replaces, any description of any general terms of FreddieNotes otherwise contained in the Offering Circular. The terms and conditions described in this section will apply to each FreddieNote unless the applicable Pricing Supplement states otherwise.

### **General**

FreddieNotes will be unsecured general obligations of Freddie Mac having the same priority as with all of our other unsecured and unsubordinated debt and ranking senior to any subordinated debt. FreddieNotes will mature up to 30 years from the date of issue, as we determine at the time of sale. We will issue FreddieNotes only in the form of one or more global securities registered in the name of the Depository except as specified in “Book-Entry System” below. For more information on certificated and global securities, see “Book-Entry System” below.

FreddieNotes may be issued as original issue discount notes. An original issue

discount note is a note, including any zero-coupon note, that is issued at more than a *de minimis* discount from the principal amount payable at maturity. Upon redemption, repayment or acceleration of the maturity of an original issue discount note, normally an amount less than its principal amount will be payable. For additional information regarding payments upon acceleration of the maturity of an original issue discount note and regarding the United States federal income tax consequences of original issue discount notes, see “— Payment of Principal and Interest” below and “Certain United States Federal Tax Consequences — U.S. Owners — Debt Obligations with Original Issue Discount” in the Offering Circular.

FreddieNotes may be registered for transfer or exchange at the principal office of the Corporate Trust Department of U.S. Bank Trust National Association (the “Global Agent”), in The City of New York. The Global Agent is acting solely as registrar, transfer agent and paying agent for FreddieNotes, and does not assume any obligation or relationship of agency or trust for or with any Holder of a FreddieNote, except that any moneys held by the Global Agent for payment on a FreddieNote shall be held for the benefit of the Holder thereof as provided in the Global Agency Agreement between Freddie Mac and the Global Agent. The transfer or exchange of global securities will be effected as specified in “Book-Entry System” below.

The Debenture and Medium-Term Note Agreement does not limit our ability to incur debt, nor does it contain any provision that would protect Holders of Freddie-

Notes in the event of any transaction that may adversely affect our creditworthiness.

### **Payment of Principal and Interest**

We will make payments on Freddie-Notes held on the DTC Book-Entry System to the Depository in immediately available funds. The Depository will be responsible for crediting the payment to the accounts of the appropriate Depository Participants in accordance with its normal procedures. Each Depository Participant and each other financial intermediary in the chain to the beneficial owner of a FreddieNote will be responsible for remitting payments to the beneficial owner. See “Book-Entry System” below.

Each FreddieNote, other than a zero-coupon note, will bear interest from and including its Issue Date and from and including the most recent Interest Payment Date to which interest on such FreddieNote has been paid or duly provided for. Interest will be payable at the fixed rate per year stated in such FreddieNote and in the applicable Pricing Supplement until the principal of such FreddieNote is paid or made available for payment. Interest will be payable on each Interest Payment Date

and at maturity. Interest will be payable to the holder in whose name a FreddieNote is registered at the close of business on the 15th calendar day next preceding each Interest Payment Date, which date we refer to as a regular record date; provided, however, that interest payable at maturity or upon redemption or repayment will be payable to the person to whom principal is payable. The first payment of interest on any FreddieNote originally issued between a regular record date and an Interest Payment Date will be made on the Interest Payment Date following the next succeeding regular record date to the registered owner of such FreddieNote on such next succeeding regular record date. If the Interest Payment Date or the maturity for any FreddieNote falls on a day that is not a Business Day, the payment of principal and interest may be made on the next succeeding Business Day, and no interest on such payment shall accrue for the period from such Interest Payment Date or maturity, as the case may be, to the actual date of the payment. Unless the applicable Pricing Supplement states otherwise, interest on FreddieNotes will be computed on the basis of a 360-day year of twelve 30-day months.

The Interest Payment Dates for a FreddieNote, other than a zero-coupon note, will be as follows:

<u>Interest Payments</u>	<u>Interest Payments Dates</u>
Monthly .....	Fifteenth day of each calendar month, commencing in the first succeeding calendar month following the month in which the FreddieNote is issued.
Quarterly .....	Fifteenth day of every third month, commencing in the third succeeding calendar month following the month in which the FreddieNote is issued.
Semi-annual .....	Fifteenth day of every sixth month, commencing in the sixth succeeding calendar month following the month in which the FreddieNote is issued.
Annual .....	Fifteenth day of every twelfth month, commencing in the twelfth succeeding calendar month following the month in which the FreddieNote is issued.

The interest rates on FreddieNotes may differ depending upon, among other things, prevailing market conditions at the time of issuance as well as the aggregate principal amount of FreddieNotes issued in any single transaction. Although we may change the interest rates and other terms of FreddieNotes from time to time, no change will affect any FreddieNote already issued or as to which we have accepted an offer to purchase.

## **Redemption**

Unless the applicable Pricing Supplement states otherwise, we may not redeem the related FreddieNotes prior to maturity. FreddieNotes will not be subject to any sinking fund. If, however, the applicable Pricing Supplement provides that we may redeem the related FreddieNotes prior to maturity at our discretion, that Pricing Supplement will also specify the redemption date(s) and price(s). If applicable, FreddieNotes may be redeemed in whole or in part from time to time only upon not less than five Business Days' nor more than 60 calendar days' notice.

We may at any time purchase FreddieNotes at any price in the open market or otherwise. FreddieNotes we purchase in this manner may, at our discretion, be held, resold or cancelled.

## **Repayment Upon Death**

If the Pricing Supplement relating to a FreddieNote so states, the Survivor Representative, as defined below, of that FreddieNote will have the right to require us to repay such FreddieNote prior to its maturity date upon the death of its beneficial owner under the procedures and restrictions described herein. Thereafter, Freddie Mac will repay any FreddieNote (or portion thereof) properly requested to be repaid by or on behalf of the person with authority to act on behalf of the deceased owner of the beneficial interest in such FreddieNote under the laws of the appropriate jurisdiction (including, without limitation, the personal representative, executor, surviving joint tenant or surviving tenant by the

entirety of such deceased beneficial owner) (the “Survivor Representative”) at a price equal to 100% of the principal amount of such beneficial interest plus accrued interest to the date of such repayment, subject to certain limitations as described below. We call this right the “Survivor’s Option.”

Upon exercise of the Survivor’s Option, we will, at our option, either repay or purchase the related FreddieNote properly delivered for repayment by or on behalf of the Survivor Representative at a price equal to the sum of:

- 100% of the principal amount of such FreddieNote (or, for zero-coupon notes, the accrued face amount), and
- accrued and unpaid interest, if any, to the date of such repayment,

subject to the following limitations.

The Survivor’s Option may not be exercised until at least 12 months following the Issue Date of the applicable FreddieNote. In addition, we may limit the aggregate principal amount of FreddieNotes as to which the Survivor’s Option may be exercised as follows:

- In any calendar year, we may limit the aggregate principal amount to the greater of 1% of the outstanding aggregate principal amount of FreddieNotes as of December 31 of the most recently completed year or \$1,000,000. We call this limitation the “Annual Put Limitation.”

- For any individual deceased beneficial owner of FreddieNotes, we may limit the aggregate principal amount to \$200,000 for any calendar year. We call this limitation the “Individual Put Limitation.”

We will not make principal repayments pursuant to the exercise of the Survivor’s Option in amounts that are less than \$1,000. If the limitations described above would result in the partial repayment of any FreddieNote, the principal amount of the FreddieNote remaining outstanding after repayment must be at least \$1,000.

Each FreddieNote delivered pursuant to a valid exercise of the Survivor’s Option will be accepted promptly in the order all such FreddieNotes are delivered, unless the acceptance of that FreddieNote would contravene the Annual Put Limitation or the Individual Put Limitation. If, as of the end of any calendar year, the aggregate principal amount of FreddieNotes that have been accepted pursuant to exercise of the Survivor’s Option during that year has not exceeded the Annual Put Limitation for that year, any FreddieNotes not accepted during that calendar year because of the Individual Put Limitation will be accepted in the order all such FreddieNotes were delivered, to the extent that any such acceptance would not trigger the Annual Put Limitation for such calendar year.

Any FreddieNote accepted for repayment pursuant to exercise of the Survivor’s Option will be repaid no later than the first January 15 or June 15 to occur at least 20 calendar days after the date of acceptance. If that date is not a Business Day, payment

will be made on the next succeeding Business Day. For example, if the acceptance date for FreddieNotes delivered pursuant to the Survivor's Option were April 1, 2002, we would be obligated to repay those FreddieNotes by June 15, 2002. However, if the acceptance date were June 1, 2002, we would be obligated to repay those FreddieNotes by January 15, 2003. Each FreddieNote delivered for repayment that is not accepted in any calendar year due to the application of the Annual Put Limitation will be deemed to be delivered in the following calendar year in the order in which all such notes were originally delivered, unless any such FreddieNote is withdrawn by the representative for the deceased beneficial owner prior to its repayment. Other than as described in the immediately preceding sentence, FreddieNotes delivered upon exercise of the Survivor's Option may not be withdrawn. In the event that a FreddieNote delivered for repayment pursuant to valid exercise of the Survivor's Option is not accepted, the Global Agent will deliver a notice by first-class mail to the Holder that states the reason that the FreddieNote has not been accepted for repayment. Following receipt of such notice from the Global Agent, the Survivor Representative may withdraw any such FreddieNote and the exercise of the Survivor's Option.

In the case of repayment pursuant to the exercise of the Survivor's Option of a FreddieNote represented by a global security, the Depository or its nominee will be the Holder of such FreddieNote and therefore will be the only entity that can exercise the Survivor's Option for such FreddieNote.

Subject to the Annual Put Limitation and the Individual Put Limitation, all questions as to the eligibility or validity of any exercise of the Survivor's Option will be determined by Freddie Mac, either directly or through the Global Agent.

The death of a person owning a FreddieNote in joint tenancy or tenancy by the entirety will be deemed the death of the beneficial owner of the FreddieNote, and the entire principal amount of the FreddieNote so held will be subject to the Survivor's Option. The death of a person owning a FreddieNote by tenancy in common will be deemed the death of the beneficial owner of a FreddieNote only with respect to the deceased holder's interest in the FreddieNote so held by tenancy in common. However, if a FreddieNote is held by husband and wife as tenants in common, the death of either will be deemed the death of the beneficial owner of the FreddieNote, and the entire principal amount of the FreddieNote so held will be subject to the Survivor's Option. The death of a person who, during his or her lifetime, was entitled to substantially all of the beneficial interests of ownership of a FreddieNote will be deemed the death of the beneficial owner for purposes of the Survivor's Option, regardless of the Holder, if such beneficial interest can be established to the satisfaction of Freddie Mac, acting either directly or through the Global Agent. Such beneficial interest will be deemed to exist in typical cases of nominee ownership, ownership under the Uniform Gifts to Minors Act, community property or other joint ownership arrangements between a husband and wife and trust arrangements

where one person has substantially all of the beneficial ownership interest in the FreddieNote during his or her lifetime.

Subject to the foregoing, in order to validly exercise a Survivor's Option, the Survivor Representative must tender to the appropriate financial institution ("Financial Institution"):

- a written request for repayment signed by the Survivor Representative, with the signature guaranteed by a member firm of a registered national securities exchange or of the National Association of Securities Dealers, Inc. ("NASD") or a commercial bank or trust company having an office or correspondent in the United States;
- tender of the FreddieNote (or portion thereof) to be repaid;
- appropriate evidence that (a) the Survivor Representative has authority to act on behalf of the deceased beneficial owner, (b) the death of such beneficial owner has occurred and (c) the deceased was the beneficial owner of the FreddieNote at the time of death;
- if applicable, a properly executed assignment or endorsement; and
- if the beneficial interest in the FreddieNote is held by a nominee of the deceased beneficial owner, a certificate from such nominee attesting to the deceased's ownership of a beneficial interest in the FreddieNote.

The Depository Participant will be responsible for disbursing any payments it receives pursuant to exercise of the Survivor's Option to the appropriate representative. See "Book-Entry System" below.

We have attached as Annex A to this Offering Circular Supplement the forms to be used by a Survivor Representative's Financial Institution to exercise the Survivor's Option on behalf of a deceased beneficial owner of a FreddieNote. In addition, a representative may obtain these forms from U.S. Bank Trust National Association, the Global Agent, at 100 Wall Street, 16th Floor, New York, New York 10005, or call the Corporate Trust Department at (212) 361-2525, during normal business hours.

#### **Book-Entry System**

Upon issuance, all FreddieNotes having the same Issue Date, interest rate, stated maturity, CUSIP number and other terms, if any, will be represented by a single global security. Each global security will be deposited with or on behalf of the Depository, The Depository Trust Company, New York, New York, and registered in the name of the Depository's nominee. Except as described below, global securities may be transferred, in whole and not in part, only by the Depository to a nominee of the Depository or by a nominee of the Depository to the Depository or another nominee of the Depository. So long as the Depository or its nominee is the registered owner of any global security, the Depository or its nominee will be considered the sole Holder of the FreddieNote for all

purposes under the Debenture and Medium-Term Note Agreement.

The Depository has advised us as follows: the Depository is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. The Depository holds securities that its Depository Participants deposit with the Depository. The Depository also facilitates the settlement among Depository Participants of securities transactions, such as transfers and pledges, in deposited securities through electronic computerized book-entry changes in Depository Participants’ accounts, eliminating the need for physical movement of securities certificates. “Direct participants” include securities brokers and dealers, banks, trust companies, clearing corporations and certain other organizations. The Depository is owned by a number of its Depository Participants and by the New York Stock Exchange, Inc., the American Stock Exchange, Inc. and the NASD. Access to the Depository’s system is also available to others such as securities brokers and dealers, banks and trust companies that clear through or maintain a custodial relationship with a Depository Participant, either directly or indirectly, which we refer to as “indirect participants.”

Purchases of interests in the global securities under the Depository’s system

must be made by or through Depository Participants, which will receive a credit for such interests on the Depository’s records. The ownership interest of each beneficial owner is in turn to be recorded on the Depository Participants’ records. Beneficial owners will not receive written confirmation from the Depository of their purchase, but beneficial owners are expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Depository Participant through which the beneficial owner entered into the transaction. Transfers of ownership interests in the global securities are to be accomplished by entries made on the books of Depository Participants acting on behalf of beneficial owners. Beneficial owners will not receive certificates representing their ownership interests in the global securities, except as described below.

To facilitate subsequent transfers, all global securities deposited by Depository Participants with the Depository are registered in the name of the Depository’s partnership nominee, Cede & Co. The deposit of global securities with the Depository and their registration in the name of Cede & Co. effect no change in beneficial ownership. The Depository has no knowledge of the actual beneficial owners of the interests in the global securities; the Depository’s records reflect only the identity of the Depository Participants to whose accounts interests in the global securities are credited, which may or may not be the beneficial owners. The participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by the Depository to Depository Participants, by Depository Participants to indirect participants, and by Depository Participants and indirect participants to beneficial owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time.

Redemption notices will be sent to Cede & Co. If less than all of the interests in a global security are being redeemed, the Depository's practice is to determine by lot the amount of the interest of each Depository Participant in such global security to be redeemed.

Neither the Depository nor Cede & Co. will consent or vote with respect to the global securities. Under its usual procedures, the Depository mails an omnibus proxy to the issuer as soon as possible after the record date. The omnibus proxy assigns Cede & Co.'s consenting or voting rights to those Depository Participants to whose accounts interests in the global securities are credited on the record date (identified in a listing attached to the omnibus proxy).

Principal and interest payments on the global securities will be made to the Depository. The Depository will then credit Depository Participants' accounts on the payment date in accordance with their respective holdings shown on the Depository's records. Payments by Depository Participants to beneficial owners will be governed by standing instructions and customary practices, and will be the responsibility of such participant and not of the Depository, the Global Agent or us, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest to the Depository is our responsibility acting directly or through the Global Agent. Disbursement of such payments to Depository Participants is the responsibility of the Depository. Disbursement of such payments to the beneficial owners is the responsibility of Depository Participants.

The information in this section concerning the Depository and the Depository's book-entry system has been obtained from sources that we believe to be reliable, but we take no responsibility for its accuracy.

## SUPPLEMENTAL PLAN OF DISTRIBUTION

Under the terms of the Medium and Long Term Debt Securities Master Dealer Agreement, dated as of January 31, 2001, entered into between Freddie Mac and each of the agents listed below, as amended by the Amendment to Medium and Long Term Debt Securities Master Dealer Agreement, dated as of April 2, 2001, among Freddie Mac and each of ABN AMRO Financial Services, Inc., Charles Schwab & Co., Inc., Edward D. Jones & Co., L.P., Morgan Stanley & Co. Incorporated, Prudential Securities Incorporated, Salomon Smith Barney Inc. and UBS PaineWebber Inc., as agents, and the Amendment to Medium and Long Term Debt Securities Master Dealer Agreement, dated as of February 28, 2002, between Freddie Mac and A.G. Edwards & Sons, Inc., as agent (collectively, the "Master Dealer Agreement"), FreddieNotes are offered from time to time by us through the agents. The agents have agreed to use their reasonable best efforts to solicit purchases of FreddieNotes.

We will pay the agents, through ABN AMRO Financial Services, Inc., the purchasing agent, a commission to be divided among the agents as they shall agree for FreddieNotes sold through the agents on an agency basis. Unless otherwise agreed, the commission will range from 0.20% to 2.50% of the principal amount for each FreddieNote sold, depending upon the maturity. Commissions with respect to FreddieNotes with maturities in excess of 30 years will be negotiated between us and the purchasing agent at the time of sale. We will have the sole right

to accept offers to purchase FreddieNotes and may reject any proposed purchase of FreddieNotes in whole or in part. Each agent will have the right, in its discretion reasonably exercised, to reject any proposed purchase of FreddieNotes in whole or in part received by it on an agency basis. We reserve the right to withdraw, cancel or modify the offer without notice.

Following the solicitation of orders, the agents, severally and not jointly, may purchase FreddieNotes from us through the purchasing agent as principal for their own accounts. Unless otherwise set forth in the applicable Pricing Supplement, any FreddieNote sold to an agent as principal will be purchased by the purchasing agent from us at a discount to the principal amount not to exceed the concession applicable to an agency sale of a FreddieNote of identical maturity. Unless otherwise set forth in the applicable Pricing Supplement, such FreddieNotes will be resold to one or more investors and other purchasers at a fixed public offering price.

In addition, the purchasing agent may, and with our consent the other agents may, offer FreddieNotes they have purchased as principal to other dealers that are part of the selling group. The purchasing agent may sell FreddieNotes to other dealers at a discount not in excess of the discount it receives when purchasing such FreddieNotes from us. And, if with our consent the other agents sell FreddieNotes to dealers, unless otherwise specified in the applicable Pricing Supplement, the discount allowed to any dealer will not, during the distribution of FreddieNotes, exceed the discount received by such agent from the purchas-

ing agent. After the initial public offering of FreddieNotes to be resold by an agent to investors, the public offering price (in the case of FreddieNotes to be resold at a fixed public offering price), concession and discount may be changed.

Each agent may be deemed to be an “underwriter” within the meaning of the Securities Act of 1933. We have agreed to indemnify the agents against certain liabilities, including liabilities under the Securities Act of 1933.

No FreddieNote will have an established trading market when issued. We do not intend to apply for the listing of FreddieNotes on any securities exchange, but we have been advised by the agents that the agents intend to make a market in FreddieNotes as permitted by applicable laws and regulations. The agents are not obligated to do so, however, and the agents may discontinue making a market at any time without notice. No assurance can be given as to the liquidity of any trading market for any FreddieNotes. All secondary trading in FreddieNotes will settle in immediately available funds. See “Description of FreddieNotes — Book-Entry System” in this Offering Circular Supplement.

In connection with an offering of FreddieNotes, SEC rules permit the purchasing agent to engage in certain transactions that stabilize, maintain or otherwise affect the market price in connection with any offering of FreddieNotes. Those transactions may include stabilizing bids or purchases for the purpose of pegging, fixing or maintaining the market price of FreddieNotes

and the purchase of FreddieNotes to cover syndicate short positions. The purchasing agent may create a short position in FreddieNotes in connection with an offering of FreddieNotes by selling FreddieNotes with a principal amount greater than that set forth on the cover page of the applicable Pricing Supplement, and may reduce that short position by purchasing FreddieNotes in the open market. In general, purchases of a security for the purpose of stabilization or to reduce a short position could cause the price of the security to be higher than it might be in the absence of such purchases. We and the purchasing agent make no representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of FreddieNotes. In addition, we and the purchasing agent make no representation that the purchasing agent will engage in such transactions or that such transactions, once commenced, will be continued. If the purchasing agent engages in such transactions, it will do so on its own behalf and not as our agent.

Other selling group members include broker-dealers and other securities firms that have executed dealer agreements with the purchasing agent. In the dealer agreements, the selling group members have agreed to market and sell FreddieNotes in accordance with the terms of those agreements and all applicable laws and regulations. You may call 1-877-373-0322 for a list of selling group members or access that list on the Internet at [www.freddienotes.com](http://www.freddienotes.com).

The agents and their affiliates may engage in various general financing and banking transactions with us and our affiliates in the ordinary course of business.

Executive Vice President — General Counsel and Secretary of Freddie Mac. Gibson, Dunn & Crutcher LLP, New York, New York, has acted as counsel for the agents.

#### **VALIDITY OF NOTES**

The validity of FreddieNotes will be passed upon for us by Maud Mater, Esq.,

**REPAYMENT ELECTION FORM**  
**FREDDIE MAC**  
**FREDDIENOTES**  
**CUSIP NO. \_\_\_\_\_**

To: Freddie Mac

The undersigned financial institution (the “**Financial Institution**”) represents the following:

- The Financial Institution has received a written request for repayment from the executor or other survivor representative (the “**Survivor Representative**”) of the deceased beneficial owner listed below (the “**Deceased Beneficial Owner**”) of FreddieNotes (CUSIP No. \_\_\_\_\_) (the “**Notes**”).
- At the time of his or her death, the Deceased Beneficial Owner owned Notes in the principal amount listed below, and the Financial Institution currently holds such Notes as a direct or indirect participant in The Depository Trust Company (the “**Depository**”).

The Financial Institution agrees to the following terms:

- The Financial Institution shall follow the instructions (the “**Instructions**”) accompanying this Repayment Election Form (the “**Form**”).
- The Financial Institution shall make all records specified in the Instructions supporting the above representations available to Freddie Mac for inspection and review within five Business Days of Freddie Mac’s request.
- If the Financial Institution or Freddie Mac, in either’s reasonable discretion, deems any of the records specified in the Instructions supporting the above representations unsatisfactory to substantiate a claim for repayment, the Financial Institution shall not be obligated to submit this Form, and Freddie Mac may deny repayment. If the Financial Institution cannot substantiate a claim for repayment, it shall notify Freddie Mac immediately.
- Other than as described in the Offering Circular Supplement in the limited situation involving tenders of FreddieNotes that are not accepted during one calendar year as a result of the “Annual Put Limitation,” repayment elections may not be withdrawn.
- The Financial Institution agrees to indemnify and hold harmless Freddie Mac (and its Global Agent indicated in paragraph 13 of the Instructions to this Form) against and from any and all claims, liabilities, costs, losses, expenses, suits and damages resulting from the Financial Institution’s above representations and request for repayment on behalf of the Survivor Representative.



**INSTRUCTIONS FOR COMPLETING REPAYMENT ELECTION FORM  
AND EXERCISING REPAYMENT OPTION**

Capitalized terms used and not defined herein have the meanings defined in the accompanying Repayment Election Form.

1. Collect and retain for a period of at least three years (1) satisfactory evidence of the authority of the Survivor Representative, (2) satisfactory evidence of death of the Deceased Beneficial Owner, (3) satisfactory evidence that the Deceased Beneficial Owner beneficially owned, at the time of his or her death, the Notes being submitted for repayment, and (4) any necessary tax waivers. For purposes of determining whether Freddie Mac will deem Notes beneficially owned by an individual at the time of death, the following rules shall apply:
  - Notes beneficially owned by tenants by the entirety or joint tenants will be regarded as beneficially owned by a single owner. The death of a tenant by the entirety or joint tenant will be deemed the death of the beneficial owner, and the Notes beneficially owned will become eligible for repayment. The death of a person beneficially owning a Note by tenancy in common will be deemed the death of a holder of a Note only with respect to the deceased holder's interest in the Note so held by tenancy in common, unless a husband and wife are the tenants in common, in which case the death of either will be deemed the death of the holder of the Note, and the entire principal amount of the Note so held will be eligible for repayment.
  - Notes beneficially owned by a trust will be regarded as beneficially owned by each beneficiary of the trust to the extent of that beneficiary's interest in the trust (however, a trust's beneficiaries collectively cannot be beneficial owners of more Notes than are owned by the trust). The death of a beneficiary of a trust will be deemed the death of the beneficial owner of the Notes beneficially owned by the trust to the extent of that beneficiary's interest in the trust. The death of an individual who was a tenant by the entirety or joint tenant in a tenancy which is the beneficiary of a trust will be deemed the death of the beneficiary of the trust. The death of an individual who was a tenant in common in a tenancy which is the beneficiary of a trust will be deemed the death of the beneficiary of the trust only with respect to the deceased holder's beneficial interest in the Note, unless a husband and wife are the tenants in common, in which case the death of either will be deemed the death of the beneficiary of the trust.
  - The death of a person who, during his or her lifetime, was entitled to substantially all of the beneficial interest in a Note will be deemed the death of the beneficial owner of that Note, regardless of the registration of ownership, if such beneficial interest can be satisfactorily established. Such beneficial interest

will exist in many cases of street name or nominee ownership, ownership by a trustee, ownership under the Uniform Gift to Minors Act and community property or other joint ownership arrangements between spouses. Beneficial interest will be evidenced by such factors as the power to sell or otherwise dispose of a Note, the right to receive the proceeds of sale or disposition and the right to receive interest and principal payments on a Note.

2. Indicate the name of the Deceased Beneficial Owner on line (1).
3. Indicate the date of death of the Deceased Beneficial Owner on line (2).
4. Indicate the name of the Survivor Representative requesting repayment on line (3).
5. Indicate the name of the Financial Institution requesting repayment on line (4).
6. Affix the authorized signature of the Financial Institution's representative on line (5). **THE SIGNATURE MUST BE MEDALLION SIGNATURE GUARANTEED.**
7. Indicate the principal amount of Notes to be repaid on line (6).
8. Indicate the date this Form was completed on line (7).
9. Indicate the date of requested repayment on line (8). The date of requested repayment may not be earlier than the first January 15 or June 15 to occur at least 20 calendar days after the date of Freddie Mac's acceptance of the Notes for repayment, unless such date is not a business day, in which case the date of requested payment may be no earlier than the next succeeding business day. For example, if the acceptance date for Notes tendered were April 1, 2002, the earliest repayment date you could elect would be June 15, 2002.
10. Indicate the name, mailing address (no P.O. boxes, please), telephone number and facsimile-transmission number of the party to whom the acknowledgment of this election may be sent on line (9).
11. Indicate the wire instruction for payment on line (10).
12. Leave lines (A), (B), (C), (D), (E) and (F) blank.
13. Mail or otherwise deliver an original copy of the completed Form to Freddie Mac's Global Agent as follows:

U.S. Bank Trust National Association  
Attn: Corporate Trust Department  
100 Wall Street, 16th Floor  
New York, New York 10005

**FACSIMILE TRANSMISSIONS OF THE REPAYMENT ELECTION FORM  
WILL NOT BE ACCEPTED.**

14. If the acknowledgement of Freddie Mac's receipt of this Form, including the assigned Election Number, is not received within 10 days of the date such information is sent to the Global Agent, contact Freddie Mac Investor Relations at (571) 382-3700.

For assistance with the Form or any questions relating thereto, please contact Freddie Mac Investor Relations at (571) 382-3700.

Offering Circular dated May 7, 2002

# Freddie Mac

## Debentures

## Medium-Term Notes

## Discount Notes

Freddie  
Mac

Offered Securities:	Debentures, Medium-Term Notes and Discount Notes.
Reference Securities <sup>SM</sup> :	We may designate some Securities as Reference Securities <sup>SM</sup> , which are regularly scheduled issues auctioned in large principal amounts.
Amount:	Unlimited.
Maturities:	One day or longer, but not more than one year in the case of Discount Notes.
Offering Terms:	We will offer the Securities primarily through dealers on the terms described in this Offering Circular and, for Debentures and Medium-Term Notes, related Pricing Supplements.
Priority:	The Securities will be unsecured general obligations or unsecured subordinated obligations of Freddie Mac.
Tax Status:	The Securities are not tax-exempt.
Form of Securities:	Book-entry (Federal Reserve Banks or Depository Trust Company).

**You should consider carefully the risks involved in investing in the Securities because the Securities may not be suitable investments for you. You should purchase Securities only if you understand this Offering Circular, the related Pricing Supplement for the Debentures or Medium-Term Notes you are considering and the documents that we incorporate by reference in this Offering Circular. You should consider carefully the *Risk Factors* described beginning on page 8.**

**The Securities are obligations of Freddie Mac only. The Securities, including any interest or return of discount on the Securities, 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.**

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

**The *Index of Terms* (Appendix I) shows where definitions of defined terms appear in this Offering Circular.**

<sup>SM</sup> is a service mark of Freddie Mac.

The Securities generally will not have an established trading market when issued. Certain Dealers have advised Freddie Mac that they intend to use reasonable efforts to make a secondary market in the Securities that they offer. However, they are not obligated to do so. These Dealers could discontinue their secondary market activities at any time without notice. There is no assurance that a secondary market for any of the Securities will develop or, if such a market develops, that it will continue or will be liquid. Consequently, you may not be able to sell your Securities readily or at prices that will enable you to realize your anticipated yield.

If you intend to purchase Securities, you should rely only on the information in this Offering Circular and in any related Pricing Supplement for the Securities that you are considering, including the information in any documents that we incorporate by reference. We have not authorized anyone to provide you with different information. We are not offering the Securities in any jurisdiction that prohibits their offer. This Offering Circular, any related Pricing Supplement and any incorporated documents speak only as of their dates, regardless of the date you receive these documents or purchase Securities.

This Offering Circular supersedes our Offering Circular dated January 31, 2002 for issues of Debentures, Medium-Term Notes and Discount Notes priced on or after the date of this Offering Circular. This Offering Circular relates to our Debentures, Medium-Term Notes (including Estate Notes<sup>SM</sup> and FreddieNotes<sup>SM</sup>) and Discount Notes (including Reference Bills<sup>SM</sup>) and not to any other securities of Freddie Mac, including €Reference Securities<sup>SM</sup> or other securities offered under the Freddie Mac Global Debt Facility.

“Estate Notes<sup>SM</sup>,” “FreddieNotes<sup>SM</sup>,” “Reference Bills<sup>SM</sup>” and “€Reference Securities<sup>SM</sup>” are service marks of Freddie Mac.

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\*We use defined terms throughout this Offering Circular. Appendix I provides the page locations of the definitions of these terms.

## SUMMARY

*This Summary contains selected information about the Securities. It does not contain all of the information you should consider before purchasing the Securities. You should refer to the remainder of this Offering Circular and to any related Pricing Supplement for further information.*

<b>Issuer</b> .....	Federal Home Loan Mortgage Corporation or “Freddie Mac,” a shareholder owned government-sponsored enterprise.
<b>Securities Offered</b> .....	Debentures, Medium-Term Notes and Discount Notes (the “Securities”).
<b>Legal Status</b> .....	Unless otherwise specified in the applicable Pricing Supplement, the Securities will be unsecured general obligations having the same priority as all of our other unsecured and unsubordinated debt and ranking senior to any subordinated debt. If specified in the applicable Pricing Supplement, the Securities will be unsecured subordinated obligations with the terms, including but not limited to terms relating to payment priority or payment suspension, limitation or deferral (if any), set forth in the applicable Pricing Supplement (“Subordinated Securities”). The United States does not guarantee the Securities or any interest or return of discount on the Securities. The Securities are not debts or obligations of the United States or any agency or instrumentality of the United States other than Freddie Mac.
<b>Pricing Supplement</b> .....	We will offer Debentures and Medium-Term Notes by means of Pricing Supplements, which will describe the specific terms of the Securities (each, a “Pricing Supplement”). If a Pricing Supplement contains different information from this Offering Circular, you should rely on the Pricing Supplement.
<b>Debentures and Medium-Term Notes</b> .....	A Debenture or Medium-Term Note will: <ul style="list-style-type: none"><li>• pay principal in one or more of the following methods:<ul style="list-style-type: none"><li>(i) only at maturity, (ii) periodically until maturity or</li><li>(iii) upon redemption or repayment before maturity;</li></ul></li></ul>

- bear interest at a fixed or variable interest rate or bear no interest; and
- have a maturity of one day or more from its issue date.

**Discount Notes** ..... A Discount Note will:

- have a maturity of one year or less from its issue date;
- be sold at a discount to its stated principal amount;
- not bear interest; and
- be paid only at maturity.

**Reference Securities<sup>SM</sup>** ..... We will designate some Securities as Reference Securities<sup>SM</sup>, which are regularly scheduled issues auctioned in large principal amounts. For example, Reference Bills<sup>®</sup> are U.S. Dollar denominated Discount Notes.

**Form of Securities** ..... *Fed Book-Entry.* Most Securities will be issued, held and transferrable on the book-entry system of the Federal Reserve Banks (“Fed Book-Entry System”). Securities on the Fed Book-Entry System may be held of record only by entities eligible to maintain book-entry accounts with a Federal Reserve Bank (“Fed Participants”).

*DTC Book-Entry.* Certain Debentures and Medium-Term Notes will be represented by one or more certificates held by, or on behalf of, The Depository Trust Company or its successor (“Depository”). The Depository will maintain each such issue through its book-entry facilities (“DTC Book-Entry System”).

*Other Trading Arrangements.* If so specified in the related Pricing Supplement, Debentures and Medium-Term Notes may be made eligible for trading on the clearing systems operated by the Euroclear System and Clearstream Banking, société anonyme, through custody accounts maintained by them with certain Fed Participants.

**Holders** ..... The term “Holders” means:

- the Fed Participants appearing on the book-entry records of a Federal Reserve Bank as Holders, in the

case of an issue of Securities on the Fed Book-Entry System; or

- the Depository or its nominee, in the case of an issue of Securities on the DTC Book-Entry System.

A Holder of a Security is not necessarily the beneficial owner of that Security. Beneficial owners ordinarily will hold Securities through one or more financial intermediaries, such as banks, brokerage firms and securities clearing organizations. A Holder that is not the beneficial owner of a Security, and each other financial intermediary in the chain between the Holder and the beneficial owner, will be responsible for establishing and maintaining accounts for their respective customers and for remitting payments to those accounts.

See “Description of the Securities — Holders.”

**Securities Agreements** . . . . . We will issue Debentures and Medium-Term Notes under the Debenture and Medium-Term Note Agreement, dated the same date as this Offering Circular, among Freddie Mac and the Holders of Debentures and Medium-Term Notes (“Debenture and Medium-Term Note Agreement”).

We will issue Discount Notes under the Discount Note Agreement, dated the same date as this Offering Circular, among Freddie Mac and the Holders of Discount Notes (“Discount Note Agreement”).

**Redemption and Repayment** . . . . . We may have the option to redeem some Debentures or Medium-Term Notes, in whole or in part, before their Maturity Dates (including redemption by installment). Also, certain Holders of some Debentures or Medium-Term Notes may have the option to require repayment of their Securities, in whole or in part, before their Maturity Dates. The Pricing Supplement for an issue of Debentures or Medium-Term Notes will say whether the Debentures or Medium-Term Notes are redeemable at our option or repayable at your option and will describe the redemption or repayment right.

<b>Estate Notes<sup>SM</sup> and FreddieNotes<sup>SM</sup></b> .....	Medium-Term Notes that permit persons acting on behalf of deceased beneficial owners to require us to repay principal prior to their Maturity Date.
<b>Payment Terms</b> .....	The related Pricing Supplement will specify the payment terms of the Debentures and Medium-Term Notes.
<b>Principal:</b>	
<b>Fixed Principal Repayment Amount</b> .....	Either (i) an amount equal to 100% of the principal amount of a Debenture or Medium-Term Note, payable on the applicable Maturity Date or date of redemption or repayment, or (ii) a specified amount above or below its principal amount, payable on that date.
<b>Variable Principal Repayment Amount</b> .....	A principal amount determined by reference to one or more indices, such as interest or exchange rate indices or other formulas, payable on the applicable Maturity Date or date of redemption or repayment of a Debenture or Medium-Term Note.
<b>Amortizing Principal Repayment Amounts</b> .....	Amounts of periodic payments of principal made during the term of a Debenture or Medium-Term Note.
<b>Interest:</b>	
<b>Fixed Rate</b> .....	Debentures or Medium-Term Notes that bear interest at a single fixed rate.
<b>Variable Rate</b> .....	Debentures or Medium-Term Notes that bear interest at a variable rate determined by reference to one or more specified indices.
<b>Fixed/Variable Rate</b> .....	Debentures or Medium-Term Notes that bear interest at a fixed rate during one or more periods and at a variable rate during other periods.
<b>Step</b> .....	Debentures or Medium-Term Notes that bear interest at different fixed rates during different periods.

**Zero Coupon** ..... Debentures or Medium-Term Notes that do not bear interest and are issued at a discount to their principal amount.

**Tax Status** ..... The Securities and income or return of discount derived from the Securities are generally subject to taxation by the United States and are generally not exempt from taxation. See “Certain United States Federal Tax Consequences.”

**Method of Payment** ..... The Federal Reserve Banks will credit payments on Securities maintained on the Fed Book-Entry System on applicable payment dates to the accounts of Fed Participants. Each Holder, and each other financial intermediary in the chain to the beneficial owner, will be responsible for remitting payments to their customers.

We will make payments on Securities maintained on the DTC Book-Entry System to the Depository in immediately available funds. The Depository will be responsible for crediting payments to the accounts of the appropriate Depository Participants in accordance with the Depository’s normal procedures. Each Depository Participant, and each other financial intermediary in the chain to the beneficial owner, will be responsible for remitting payments to their customers.

**Denominations** ..... We will issue and maintain the Securities in minimum principal amounts and additional increments of \$1,000, unless otherwise indicated in the related Pricing Supplement.

**Method of Distribution** ..... We generally will sell Debentures and Medium-Term Notes to one or more Dealers, acting as principals, that are named in the related Pricing Supplement. Alternatively, we may allow Dealers to solicit purchases of Debentures and Medium-Term Notes on an agency basis or we may sell Debentures and Medium-Term Notes directly to investors.

In general, we will sell Discount Notes through Dealers, acting as our agents.

## **AVAILABLE INFORMATION**

We prepare an annual Information Statement that describes our business and operations and contains important financial and other information, including our audited consolidated financial statements (the “Information Statement”). We also prepare quarterly Information Statement Supplements that include unaudited consolidated financial data and other information concerning our business and operations (each, an “Information Statement Supplement”). These documents are incorporated by reference in this Offering Circular, which means that we are disclosing information to you by referring you to those documents. Consequently, these documents are considered part of this Offering Circular. You should read this Offering Circular, and any applicable supplements or amendments, in conjunction with our most recent Information Statement and any subsequent Information Statement Supplements we incorporate by reference in this Offering Circular. As of the date of this Offering Circular, our current Information Statement is dated March 29, 2002. You should rely only on the most current information provided or incorporated by reference in this Offering Circular and any applicable supplement or amendment.

You can obtain any of these documents and any other documents that we make available from:

**Freddie Mac**  
**Investor Relations Department**  
**8200 Jones Branch Drive**  
**McLean, Virginia 22102-3110**  
**Telephone: 1-800-336-FMPC**  
**(within Washington, D.C. metropolitan area: 571-382-3700)**  
**E-mail: [debt\\_securities@freddiemac.com](mailto:debt_securities@freddiemac.com)**  
**[www.freddiemac.com](http://www.freddiemac.com)**

## FREDDIE MAC

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

- to provide stability in the secondary market for residential mortgages;
- to respond appropriately to the private capital market;
- to provide ongoing assistance to the secondary market for residential mortgages; and
- to promote access to mortgage credit throughout the United States (including central cities, rural areas and underserved areas) by increasing the liquidity of mortgage investments and improving the distribution of investment capital available for residential mortgage financing.

We fulfill these statutory purposes by purchasing residential mortgages and mortgage-related securities from mortgage lenders, other mortgage sellers and securities dealers. We finance our purchases by issuing guaranteed mortgage securities, debt securities, other liabilities and equity capital.

## RISK FACTORS

*This section describes some of the general risks and considerations that you should examine before investing in the Securities. There may be other risks and considerations not discussed below or discussed in the applicable Pricing Supplement that you should consider. These risks and considerations may vary depending on your particular circumstances and on various economic and interest rate scenarios. Therefore, you should consult your own financial and legal advisors to determine the suitability for you of a particular issue of Securities.*

### **The Securities May Not Be Suitable For You**

The Securities are not suitable investments for all investors. Before investing in a particular issue of Securities, you should:

- possess, either alone or with an investment advisor, the expertise and analytical tools necessary to evaluate, in the context of your financial situation, the particular features of the Securities, the risks and benefits of investing in the Securities and the effect of the Securities on your overall investment portfolio;
- have sufficient financial resources and liquidity to bear the risks associated with the Securities;
- understand the information contained and incorporated in this Offering Circular and any related Pricing Supplement;

- understand the terms of the Securities; and
- understand any applicable legal investment restrictions.

Sophisticated institutional investors generally do not purchase complex securities as stand-alone investments. Rather, they invest in certain securities to reduce the risk of their overall portfolio or to enhance their yield by adding an appropriate level of risk to their overall portfolio. You should not purchase any Securities unless you understand and are able to bear the associated yield, market, liquidity and structure risks, including risks associated with any redemption provisions, periodic interest rate adjustments and exchange rates and controls. You should decide whether to invest in an issue of Securities based on your own financial needs and the anticipated performance of the Securities under a variety of economic, interest rate and exchange rate scenarios.

### **Structured Securities May Be Complex and Involve Greater Risks**

Historically, the majority of the Debentures and Medium-Term Notes we issue have been fixed rate debt obligations, including those that are redeemable at our option beginning on a specified date. Although these Securities present certain risks to investors, they do not present all of the risks associated with more complex Securities.

More complex Securities (such as Variable Rate, Variable Principal Repayment Amount and Amortizing Debentures and Medium-Term Notes) may involve greater risk. They may have principal or interest payments determined, either directly or inversely, by reference to one or more indices (including interest rate, exchange rate, currency, swap or equity indices or formulas). An investment in such Debentures or Medium-Term Notes entails risks not associated with an investment in a conventional fixed rate debt security. These risks include the possibility that:

- the applicable index or indices may change significantly;
- changes in the applicable index or indices may not correlate with changes in interest rates or currencies, generally, or with changes in other indices;
- changes in the applicable index or indices will be magnified or diminished if the Securities' principal or interest formula contains a leverage factor or a deleverage factor;
- the applicable index or indices may be subject to maximum ("Cap") or minimum ("Floor") interest rate limitations;
- the timing of changes in an applicable index or indices may affect your actual yield, even if the average level is consistent with your expectations (in general, the earlier the change in the applicable index or indices, the greater the effect on yield);

- two or more indices or formulas that you may expect to move in tandem or in some other relationship to each other may unexpectedly converge, diverge or otherwise not move as expected;
- currency devaluations may occur or monetary authorities may impose or modify currency exchange controls;
- the resulting interest rate may be less than the interest rate payable on a conventional fixed rate debt security we issued at the same time and, in some cases, may be as low as zero;
- you may receive repayments of principal at times other than you expect;
- you may lose all or a substantial portion of the principal of your Security (whether payable at maturity, upon redemption or otherwise); and
- the value of Securities with complex formulas or other terms may be volatile.

These risks may depend on a number of interrelated factors that we cannot control, including financial, economic, regulatory and political developments. In the past, certain interest rate, currency, swap, equity and other indices have been highly volatile. Past fluctuations, moreover, do not necessarily indicate fluctuations that may occur in the future.

You should have knowledge of, and access to, appropriate analytical tools to evaluate quantitatively the effect of the particular features of the Securities you are considering purchasing and the resulting effects upon their yields and values.

## **Various Factors Could Adversely Affect the Trading Value and Yield of Your Securities**

### ***Secondary Markets and Market Values***

The Securities generally will not have an established trading market when issued. Certain Dealers have advised us that they intend to use reasonable efforts to make a secondary market in the Securities that they offer, but, in general, they are not obligated to do so. These Dealers may discontinue any such secondary market making at any time without notice. Consequently:

- a secondary market for any of the Securities may not develop, particularly for those Securities that are especially sensitive to interest rate or market risks or that are structured to meet the investment requirements of limited categories of investors; or
- if a secondary market develops, it may not be liquid at all times.

As a result, you may not be able to sell your Securities readily or at prices comparable to similar instruments with a developed secondary market. If you are seeking to purchase or

sell very small or very large amounts of Securities, you may not be able to do so at prices comparable to those available to other investors.

The market values of the Securities likely will fluctuate over time, perhaps significantly. These fluctuations could cause significant losses to your investment in Securities, especially if you dispose of your Securities prior to their maturity. The market prices of Securities issued at either a substantial discount (such as Zero Coupon Debentures) or a substantial premium (such as Securities that have significantly above-market interest rates) from their principal amount tend to fluctuate more in relation to general changes in interest rates than do the prices of Securities with comparable maturities that are not issued at such a discount or premium.

A number of factors may affect any secondary market for, and the market value of, an issue of Securities, including:

- the creditworthiness of Freddie Mac;
- the value, complexity and volatility of any applicable index or indices;
- the method of calculating the principal or any interest payments on the Securities;
- the time remaining to the maturity of the Securities;
- any redemption or repayment features of the Securities;
- the outstanding amount of the Securities;
- the amount of other securities linked to any applicable index or indices;
- the amount of Securities being sold in any secondary market from time to time;
- the subordinated status or other terms of any Subordinated Securities;
- any legal restrictions or tax treatment that limits demand for the Securities;
- the availability of comparable securities, including comparable U.S. Treasury securities;
- fluctuations in the “spread” of the Securities to comparable U.S. Treasury securities; and
- the level, direction and volatility of market interest rates generally.

You should not purchase any Securities unless you understand and can bear the risks that you may not be able to resell them easily, that their value will fluctuate over time and that these fluctuations may be significant and cause losses to you. Illiquidity may have a

severely adverse effect on the market values of the Securities. These risks of limited liquidity and price volatility are greatest for Securities that are:

- especially sensitive to interest rate, currency or market risks;
- designed for specific investment objectives or strategies;
- structured to meet the investment requirements of limited categories of investors;  
or
- not held until maturity.

### ***Subordinated Securities***

If specified in the applicable Pricing Supplement, the indebtedness represented by Subordinated Securities and the payment of principal of and interest on Subordinated Securities may be subordinated to prior payment in full of all of our “Senior Obligations” which are due and payable. Therefore, we will not be permitted to make any payments of principal of or interest on the Subordinated Securities (including redeeming any redeemable Subordinated Securities) while we are in default on any of our Senior Obligations. In the event of a liquidation or dissolution of Freddie Mac, our assets would not be available to pay obligations under the Subordinated Securities until our Senior Obligations have been paid in full. Such Senior Obligations will be identified by category in the applicable Pricing Supplement.

In addition, there may be other terms applicable to specific offerings of Subordinated Securities that would defer, limit or suspend our obligation to make any payment of principal of or interest on these Subordinated Securities under certain specified conditions. Moreover, Events of Default that apply to Senior Obligations may not necessarily be Events of Default for Subordinated Securities. As a result, the Holders of Subordinated Securities may not have the same acceleration rights as Holders of other Securities. See “The Agreements — Events of Default” and “ — Rights Upon Event of Default — Debentures and Medium-Term Notes.” The terms and conditions of any issue of Subordinated Securities will be described in the applicable Pricing Supplement.

### ***Redeemable Debentures and Medium-Term Notes***

We will have the option to redeem certain Debentures and Medium-Term Notes after a specified date if we so provide in the related Pricing Supplement. The redemption price typically is 100% of the principal amount plus accrued interest, in the case of Debentures and Medium-Term Notes which bear interest, and the accreted value to the redemption date, in the case of Zero Coupon Debentures and Medium-Term Notes. These optional redemption provisions are likely to restrict the market values that the Securities would otherwise have. For example, the market price of such Securities generally will not rise

substantially above their redemption price during (and possibly before) any period when we may redeem the Securities, because of the increased likelihood of redemption. If we redeem a portion of an issue of Securities, the market for the Securities left outstanding may become less liquid.

In general, we are most likely to redeem such Debentures and Medium-Term Notes when prevailing interest rates and our borrowing costs are relatively low and least likely to redeem them when prevailing interest rates and our borrowing costs are relatively high. Our decision to redeem or not to redeem an issue of Debentures or Medium-Term Notes may also be affected by any related hedge or derivative position that we hold. If we redeem Debentures or Medium-Term Notes when prevailing interest rates are relatively low, you may not be able to reinvest the redemption proceeds in comparable securities with similar yields.

Some Debentures and Medium-Term Notes may be redeemable at a variable amount determined by reference to one or more interest rate, exchange rate or other indices. The redemption proceeds of such Securities will vary depending on the level of the applicable index, and you may receive less than 100% of your original principal amount upon redemption.

#### ***Fixed Rate and Zero Coupon Securities***

Fixed Rate Debentures and Medium-Term Notes, if held to maturity, will provide return of their principal and the certainty of interest payments at a fixed rate. Similarly, Zero Coupon Debentures and Medium-Term Notes and Discount Notes, if held to maturity, will provide return of their principal, including return of the applicable discount. However, the market values of these Securities are likely to fluctuate with changes in prevailing interest rates.

The market values of fixed rate and discount Securities generally will rise in a falling interest rate environment and will fall in a rising interest rate environment. This fluctuation creates risk of loss of investment capital if you dispose of these Securities prior to maturity. This effect on market values is generally greater for Securities having relatively long remaining terms to maturity (especially in the case of Zero Coupon Debentures and Medium-Term Notes and other Securities issued at substantial discounts) than for Securities having relatively short remaining terms to maturity. For example, this effect on market values is generally greater for Debentures and Medium-Term Notes than for Discount Notes because of the generally short terms to maturity of Discount Notes.

#### ***Step Debentures and Medium-Term Notes***

Step Debentures and Medium-Term Notes provide for one or more prescribed increases (or decreases) in their interest rates on specified dates. However, we may have

the option to redeem Step Debentures and Medium-Term Notes before, at the beginning of or during a step period. Therefore, you should consider the likelihood that we will redeem Step Debentures and Medium-Term Notes if their subsequent interest rates exceed the interest rates then available to us for comparable borrowings.

Although the interest rate on a Step Debenture or Medium-Term Note may increase on specified dates, the increased interest rate may be below the interest rate that you would receive on newly issued but otherwise comparable instruments with the same remaining term to maturity.

### ***Variable Rate Debentures and Medium-Term Notes***

If the interest rate on a Variable Rate Debenture or Medium-Term Note bears a direct relationship to a specified index or indices, lower than anticipated levels of such index or indices could result in actual yields that are lower than anticipated. Conversely, if the interest rate on a Variable Rate Debenture or Medium-Term Note bears an inverse relationship to a specified index or indices, higher than anticipated levels of such index or indices could result in actual yields that are lower than anticipated.

Inverse Variable Rate Securities have an interest rate equal to a fixed rate minus a rate based upon an applicable index. The market values of inverse Variable Rate Securities typically are more volatile than market values of our conventional Variable Rate Securities based on the same applicable index (and with otherwise comparable terms). Inverse Variable Rate Securities are more volatile because an increase in the applicable index not only decreases the interest rate of the inverse Variable Rate Security, but also often reflects an increase in prevailing interest rates, which further adversely affects the market value of these Securities.

The indices applicable to Variable Rate Debentures and Medium-Term Notes are not likely to remain constant at any level. The timing of a change in the level of an applicable index may affect the actual yield you receive, even if the average level is consistent with your expectation. In general, the earlier a change in the level of an applicable index, the greater the effect on your yield, especially for Debentures and Medium-Term Notes that provide for repayment of principal at one or more times prior to maturity. As a result, the effect on your yield of an index level that is lower (or higher) than the rate you anticipated during earlier periods is not likely to be offset by a later equivalent increase (or reduction). Moreover, changes in the index applicable to a particular Variable Rate Debenture or Medium-Term Note may not correlate with changes in interest rates generally or with changes in other indices. Your yield could be adversely affected if changes in the index applicable to your Variable Rate Debenture or Medium-Term Note do not reflect changes in interest rates generally.

The interest rate formula for a Variable Rate Debenture or Medium-Term Note may include a multiplier that is applied to an index in determining the applicable interest rate. In general, a multiplier of greater than one will cause changes in the interest rate of the Debentures or Medium-Term Notes to be more pronounced than changes in the value of the applicable index, while a multiplier of less than one will have the opposite effect. Variable Rate Debentures or Medium-Term Notes with multipliers of greater than one are “leveraged,” and those with multipliers of less than one are “deleveraged.”

In general, the volatility associated with the level of an applicable index is higher for leveraged Debentures or Medium-Term Notes and lower for deleveraged Debentures or Medium-Term Notes. For example, the interest rate of a leveraged Variable Rate Debenture or Medium-Term Note bearing an inverse relationship to a specified index generally will decline sharply as the value of the applicable index increases. By contrast, the interest rate of a deleveraged Variable Rate Debenture or Medium-Term Note bearing an inverse relationship to a specified index generally will decline more slowly as the value of the applicable index increases.

Investors in Variable Rate Debentures or Medium-Term Notes should also consider the effects on their interest rates and yields of any applicable Caps or Floors and of any delays in periodic interest rate adjustments. Some Variable Rate Debentures and Medium-Term Notes may provide for no interest to accrue during periods when the applicable index is outside a specified range. The market values of Variable Rate Debentures and Medium-Term Notes with Caps or Floors or with such a range feature generally are more volatile than those of Variable Rate Debentures and Medium-Term Notes linked to the same applicable index without Caps or Floors or a range feature, especially when the applicable index approaches or passes the Cap or Floor or the endpoint of the applicable range.

#### ***Fixed / Variable Rate Securities***

Some Fixed / Variable Rate Securities may bear interest at a rate that we may elect to convert from a fixed rate to a variable rate, or from a variable rate to a fixed rate. Our ability to convert the interest rate will affect the secondary market and the market value of the Securities since we may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If we convert from a fixed rate to a variable rate, the “spread” above or below the applicable index may be less favorable than the prevailing spreads on our conventional Variable Rate Securities tied to the same index. In addition, the new variable rate at any time may be lower than the rates on our other Variable Rate Securities. If we convert from a variable rate to a fixed rate, the fixed rate may be lower than then prevailing rates on our other Fixed Rate Securities.

### ***Debentures and Medium-Term Notes with Variable or Amortizing Principal Repayment Amounts***

Debentures and Medium-Term Notes with Variable or Amortizing Principal Repayment Amounts provide for payments of principal or their redemption price to be determined based on one or more indices. Before purchasing such a Debenture or Medium-Term Note, you should satisfy yourself that you understand the indices used in calculating payments. Such indices may fluctuate independently of other indices. Fluctuations in such indices may cause you to receive principal at a different time or in a lesser amount than you anticipate.

### ***Securities Eligible for Stripping***

Some issues of Fixed Rate Securities and Step Securities will be eligible to be separated (“stripped”) into Interest Components and Principal Components. The related Pricing Supplement will indicate which issues of Securities are eligible to be stripped. The secondary market, if any, for the Interest Components and Principal Components of stripped Securities may be more limited and have less liquidity than the secondary market for Securities of the same issue that have not been stripped. The liquidity of an issue of Securities also may be reduced if a significant portion of the Securities are stripped. See “Description of the Securities — Debentures and Medium-Term Notes — Stripped Debentures and Medium-Term Notes” for more information on stripping.

### **Exchange Rate Risks and Exchange Controls May Affect the Timing or Amount of Interest and Principal Paid on Your Securities**

The amount of principal or interest to be paid on Debentures and Medium-Term Notes may be determined by reference to one or more currencies or currency units (including exchange rates and swap indices between currencies or currency units). Government and monetary authorities have imposed, and may impose in the future, exchange controls that could adversely affect an applicable exchange rate. As a result, you may receive less interest or principal than expected, or no interest or principal at all.

Principal and interest on most Debentures and Medium-Term Notes will be payable in U.S. dollars. This presents risks relating to currency conversions if you conduct business in another currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the U.S. dollar or revaluation of your currency) and the risk that government or monetary authorities may impose or modify exchange controls. Any appreciation in the value of your currency relative to the U.S. dollar would decrease the currency-equivalent yield and value of your Debenture or Medium-Term Note.

### **Legal Investment Considerations May Restrict Certain Investors**

You should consult your own legal advisors in determining whether the Securities are legal investments for you and whether you can pledge the Securities as collateral for various types of borrowings. In addition, if you are a financial institution, you should consult your legal advisors or regulators to determine how to treat Securities under any applicable risk-based capital or similar rules.

Certain legal investment laws and regulations or regulatory authorities may restrict an institution's investment in certain types of Securities or in Securities generally. An institution under the jurisdiction of regulatory agencies should review any applicable regulations, policy statements and guidelines before purchasing or pledging Securities.

### **Credit Ratings May Not Reflect All Risks**

Rating agencies may assign credit ratings to the Securities. Any credit ratings assigned to the Securities may not reflect the potential impact of all risks related to structure, yield, market, liquidity and other factors affecting their value. A credit rating is not a recommendation to buy, sell or hold the Securities and may be revised or withdrawn by the rating agency.

## **DESCRIPTION OF THE SECURITIES**

### **General**

The Securities will be issued pursuant to:

- Section 306(a) of the Freddie Mac Act;
- in the case of Debentures and Medium-Term Notes, the Debenture and Medium-Term Note Agreement and the related Pricing Supplement; and
- in the case of Discount Notes, the Discount Note Agreement.

Copies of the Debenture and Medium-Term Note Agreement and the Discount Note Agreement ("Agreements") and any applicable Pricing Supplement are available from our Investor Relations Department upon request and on our Internet Web-Site. By receiving and accepting a Security, or an interest in a Security, you agree to be bound by the terms and conditions of the applicable Agreement, as supplemented or amended from time to time. See "The Agreements — Binding Effect of the Agreements."

**The Securities are obligations of Freddie Mac only. The Securities, including any interest or return of discount on the Securities, 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.**

## **Debentures and Medium-Term Notes**

### ***Status of the Securities***

The Debentures and Medium-Term Notes will be unsecured general obligations of Freddie Mac or, if specified in the applicable Pricing Supplement, unsecured subordinated obligations of Freddie Mac. See “Description of the Securities — Debentures and Medium-Term Notes — Subordinated Securities.” The Debenture and Medium-Term Note Agreement does not limit other indebtedness that we may incur and does not contain any financial or similar restrictions on us or any restrictions on our ability to secure our indebtedness. We may issue an unlimited amount of Debentures and Medium-Term Notes under the Debenture and Medium-Term Note Agreement.

We may designate some Debentures and Medium-Term Notes as “Reference Securities<sup>SM</sup>,” which are regularly scheduled issues auctioned in large principal amounts.

### ***Maturity, Redemption and Optional Repayment***

Each Debenture and Medium-Term Note will mature on a date (the “Maturity Date”) one day or longer from its issue date, as specified in the applicable Pricing Supplement. The Pricing Supplement will specify whether an issue of Debentures or Medium-Term Notes may be redeemable at our option or repayable at your option, in whole or in part, prior to its Maturity Date. An issue of Debentures or Medium-Term Notes may be redeemable or repayable:

- in whole or from time to time in part as applicable;
- on one or more specified dates;
- at any time on or after a specified date; or
- during one or more specified periods of time.

The redemption or repayment price will be determined as described in the related Pricing Supplement.

Unless a different notice period is specified in the Pricing Supplement, we will give you notice of optional redemption from 5 Business Days to 60 calendar days before the redemption date in the manner described under “The Agreements — Notice.” Notice provisions relating to Holders’ exercise of any option to require repayment will be provided in the related Pricing Supplement.

In the case of a partial redemption of an issue of Debentures or Medium-Term Notes, we will redeem a pro rata portion of each outstanding Debenture or Medium-Term Note of the affected issue.

Estate Notes<sup>SM</sup> and FreddieNotes<sup>SM</sup> are types of repayable Medium-Term Notes. They are repayable at the option of a representative of a deceased beneficial owner subject to limits on both the amount of repayments on Estate Notes<sup>SM</sup> and FreddieNotes<sup>SM</sup> owned by one person or estate and the aggregate amount of repayments on an Estate Notes<sup>SM</sup> or FreddieNotes<sup>SM</sup> issue.

### ***Interest Payments***

The Securities may bear interest at one or more fixed rates or variable rates or may not bear interest. The applicable Pricing Supplement will specify how frequently interest, if any, is payable on an issue of Debentures or Medium-Term Notes. Interest on Debentures and Medium-Term Notes will be payable in arrears on each date specified in the Pricing Supplement (each, an “Interest Payment Date”). Zero Coupon Debentures and Medium-Term Notes will not bear interest.

Each issue of interest-bearing Debentures or Medium-Term Notes will bear interest (i) from and including the previous Interest Payment Date or, if no interest has previously been paid, from and including the date on which we issue the Securities (“Issue Date”) or other date specified in the Pricing Supplement (ii) to but excluding the next Interest Payment Date or the applicable Principal Payment Date (each such period is an “Interest Payment Period”). The Maturity Date or, if applicable, the earlier date of redemption or repayment is the “Principal Payment Date” for the principal of Debentures or Medium-Term Notes redeemable or repayable on that date. No interest will accrue on the principal of any Debenture or Medium-Term Note on or after the Principal Payment Date.

Interest on Debentures and Medium-Term Notes accrues on the then outstanding principal amount. Interest payments will be rounded to the nearest cent (with one-half cent being rounded upwards).

The terms of our Subordinated Securities may require the deferral of interest payments under certain circumstances. See “Risk Factors — Various Factors Could Adversely Affect the Trading Value and Yield of Your Securities — Subordinated Securities.”

In the event that any withholding or other tax should be imposed by any jurisdiction, we will not pay additional interest or other amounts, or redeem the Debentures or Medium-Term Notes prior to maturity, as a result.

### ***Fixed Rate Debentures and Medium-Term Notes***

The Pricing Supplement will specify the single fixed interest rate per annum on a Fixed Rate Debenture or Medium-Term Note. Unless we otherwise specify in the Pricing Supplement, we compute interest on a Fixed Rate Debenture or Medium-Term Note on the basis of a 360-day year of twelve 30-day months.

### ***Step Debentures and Medium-Term Notes***

Each Step Debenture or Medium-Term Note will bear interest from its Issue Date to a specified date at an initial fixed interest rate and then at one or more different fixed interest rates. A Step Debenture or Medium-Term Note can have one or more step periods. Step Debentures and Medium-Term Notes may contain provisions giving us the option to redeem them before, at the beginning of or during a step period. The Pricing Supplement will specify the fixed interest rate payable for each step period from issuance to maturity. Unless we otherwise specify in the Pricing Supplement, we compute interest on a Step Debenture or Medium-Term Note on the basis of a 360-day year of twelve 30-day months.

### ***Zero Coupon Debentures and Medium-Term Notes***

Zero Coupon Debentures and Medium-Term Notes will not bear interest and will be issued at a price that is less than the principal amount payable on the Maturity Date. Some Zero Coupon Debentures and Medium-Term Notes may be redeemable. If an issue is subject to redemption, the Pricing Supplement will show, in percentage terms, the amount of principal that will be paid upon redemption at specific potential redemption dates.

### ***Variable Rate Debentures and Medium-Term Notes***

Variable Rate Debentures and Medium-Term Notes will bear interest at a variable rate, determined on the basis of either a direct or an inverse relationship to one or more specified indices. Variable Rate Debentures and Medium-Term Notes also may bear interest in any other manner described in the applicable Pricing Supplement.

The interest rate formula for a Variable Rate Debenture or Medium-Term Note may contain a Spread or Multiplier. A "Spread" means a constant or variable number to be added to or subtracted from the relevant index or formula. A "Multiplier" means a constant or variable number (which may be greater or less than one) to be multiplied by the relevant index or formula.

Variable Rate Debentures and Medium-Term Notes also may have Caps and Floors. In addition, some Variable Rate Debentures and Medium-Term Notes may provide for no interest to accrue during periods when the applicable index is outside a specified range.

We will specify in the applicable Pricing Supplement the accrual method (*i.e.*, the day count convention) for calculating interest or any other relevant accrual factor on the related Variable Rate Debentures or Medium-Term Notes. The accrual method may incorporate one or more of the following defined terms:

- "Actual/360" means that interest will be calculated on the basis of the actual number of days elapsed in a year of 360 days.

- “Actual/365 (fixed)” means that interest will be calculated on the basis of the actual number of days elapsed in a year of 365 days, regardless of whether payment occurs during a calendar leap year.
- “Actual/Actual” means that interest will be calculated on the basis of (i) the actual number of days elapsed in the Interest Payment Period divided by 365, or (ii) if any portion of the Interest Payment Period falls in a leap year, (A) the actual number of days in that portion divided by 366 plus (B) the actual number of days in the remaining portion divided by 365.

We will also specify in the Pricing Supplement (i) how frequently the rate of interest will reset and (ii) the dates on which a new rate of interest becomes effective (each, a “Reset Date”).

If the interest rate will reset within an Interest Payment Period, then:

- the interest rate in effect on the sixth Business Day preceding an Interest Payment Date will be the interest rate for the remainder of that Interest Payment Period; and
- the first day of each Interest Payment Period also will be a Reset Date.

Variable Rate Debentures or Medium-Term Notes may bear interest prior to the initial Reset Date at an initial interest rate specified in the related Pricing Supplement. If so, then the first day of the initial Interest Payment Period will not be a Reset Date.

Each period beginning on the applicable Reset Date and ending on the calendar day preceding the next Reset Date is an “Interest Reset Period.” The rate of interest applicable to each Interest Reset Period will be determined as described below under “LIBOR,” “Prime Rate” and “Treasury Rate.”

If the rate of interest will reset within an Interest Payment Period, we will calculate accrued interest by multiplying the principal amount of the Variable Rate Debenture or Medium-Term Note by an accrued interest factor. Unless we otherwise specify in the applicable Pricing Supplement, we will calculate this accrued interest factor by adding the interest factor for each Interest Reset Period in such Interest Payment Period and rounding the sum to nine decimal places. The interest factor for each such Interest Reset Period will be computed by (i) multiplying the number of days in the Interest Reset Period by the interest rate (expressed as a decimal) applicable to such Interest Reset Period and (ii) dividing the product by the number of days in the year referred to in the accrual method specified in the applicable Pricing Supplement.

If the source of an index changes in format, but the Calculation Agent determines that the index source continues to disclose the information necessary to determine the related

interest rate substantially as required, the Calculation Agent will amend the procedure for obtaining information from that source to reflect the changed format.

The Calculation Agent's determination of an index value or interest rate will be final and binding on all parties, absent manifest error. The "Calculation Agent" will be Freddie Mac or a bank or broker-dealer designated by Freddie Mac, as specified in the related Pricing Supplement. See "Description of the Securities — Corrections" below.

Information concerning the current interest rate on an issue of Variable Rate Debentures or Medium-Term Notes will be available from us by contacting our Investor Relations Department as shown under "Available Information" and, if we are not the Calculation Agent, from the Calculation Agent.

### *Indices*

We will specify the applicable interest rate index in the Pricing Supplement for an issue of Variable Rate Debentures or Medium-Term Notes. The provisions set forth below under the heading of the specific interest rate index will apply to the related Variable Rate Debentures or Medium-Term Notes.

### *LIBOR*

"LIBOR" means the daily average of the London interbank offered rates for Deposits in the Index Currency having the Index Maturity, as determined by the Calculation Agent. If we specify LIBOR as the interest rate for Variable Rate Debentures or Medium-Term Notes, LIBOR for any Reset Date will be determined as follows (in the following order of priority):

(1) LIBOR will be the rate that is displayed, at 11:00 a.m. (London time) on the LIBOR Determination Date, on the Designated Telerate Page for Deposits in the Index Currency having the Index Maturity;

(2) if that rate is not displayed, LIBOR will be the rate that is displayed, at 11:00 a.m. (London Time) on the LIBOR Determination Date, on the Designated Reuters Page for Deposits in the Index Currency having the Index Maturity;

(3) if that rate is not displayed, the Calculation Agent will request the principal London offices of four leading banks in the London interbank market selected by the Calculation Agent (after consultation with Freddie Mac, if Freddie Mac is not then acting as Calculation Agent) to provide such banks' offered quotations to prime banks in the London interbank market for Deposits in the Index Currency having the Index Maturity at 11:00 a.m. (London time) on the LIBOR Determination Date and in a Representative Amount. If at least two quotations are provided, LIBOR will be the arithmetic mean (if necessary rounded upwards) of such quotations;

(4) if fewer than two such quotations are provided, the Calculation Agent will request four major banks in the Principal Financial Center selected by the Calculation Agent (after consultation with Freddie Mac, if Freddie Mac is not then acting as Calculation Agent) to provide such banks' offered quotations to leading European banks for a loan in the Index Currency for a period of time corresponding to the Index Maturity, starting on the Reset Date, at approximately 11:00 a.m. in the Principal Financial Center on the LIBOR Determination Date and in a Representative Amount. If at least two quotations are provided, LIBOR will be the arithmetic mean (if necessary rounded upwards) of such quotations; and

(5) if fewer than two quotations are provided, LIBOR will be LIBOR as determined for the immediately preceding Reset Date or, in the case of the first Reset Date, will be the rate for Deposits in the Index Currency having the Index Maturity at 11:00 a.m. (London time) on the most recent London Banking Day preceding the LIBOR Determination Date for which the rate was displayed on either the Designated Telerate Page or the Designated Reuters Page for deposits starting on the second London Banking Day following such date (and if such rate appears on both such screens on that London Banking Day, using the Designated Telerate Page).

The following definitions apply to the preceding description of LIBOR:

- "Deposits" means deposits commencing on the applicable Reset Date.
- "Designated Reuters Page" means the display on the Reuters Page ISDA (or any successor page) of interbank rates from London for Deposits in the Index Currency.
- "Designated Telerate Page" means the display of rates on the Telerate Capital Markets Report Page 3750 (or any successor page) for Deposits in the Index Currency.
- "Index Currency" means the currency or currency unit specified in the related Pricing Supplement with respect to which LIBOR will be calculated for a Variable Rate Debenture or Medium-Term Note. If no such currency or currency unit is specified in the related Pricing Supplement, the Index Currency will be U.S. dollars.
- "Index Maturity" means the period with respect to which LIBOR will be calculated that is specified in the related Pricing Supplement.
- "LIBOR Determination Date" means the second London Banking Day preceding the applicable Reset Date unless the Index Currency is British pounds sterling, in which case it means the applicable Reset Date.

- “London Banking Day” means any day on which commercial banks are open for business (including dealings in foreign exchange and deposits in the Index Currency) in London.
- “Principal Financial Center” means (i) with respect to U.S. dollars, British pounds sterling, the euro, Japanese yen and Swiss francs, the City of New York, London, Brussels, Tokyo and Zurich, respectively, or (ii) with respect to any other Index Currency, the city specified in the related Pricing Supplement.
- “Representative Amount” means a principal amount of not less than U.S. \$1,000,000 (or, if the Index Currency is other than U.S. dollars, a principal amount not less than the equivalent in the Index Currency) that, in the Calculation Agent’s sole judgment, is representative for a single transaction in the relevant market at the relevant time.

*Prime Rate*

The “Prime Rate” means, with respect to any Reset Date (in the following order of priority):

(1) the arithmetic mean, determined by the Calculation Agent, of the rates (after eliminating certain rates, as described below in this clause (1)) that appear, at 11:00 a.m. on the Prime Rate Determination Date, on Reuters USPRIME1 Page as the U.S. dollar prime rate or base lending rate of each bank appearing on that page, *provided that* at least 3 rates appear. In determining the arithmetic mean:

- if 20 or more rates appear, the highest 5 rates (or in the event of equality, 5 of the highest) and the lowest 5 rates (or in the event of equality, 5 of the lowest) will be eliminated,
- if fewer than 20 but 10 or more rates appear, the highest 2 rates (or in the event of equality, 2 of the highest) and the lowest 2 rates (or in the event of equality, 2 of the lowest) will be eliminated, or
- if fewer than 10 but 5 or more rates appear, the highest rate (or in the event of equality, 1 of the highest) and the lowest rate (or in the event of equality, 1 of the lowest) will be eliminated;

(2) if fewer than 3 rates so appear, then the Prime Rate will be the arithmetic mean, determined by the Calculation Agent, of the rates (after eliminating certain rates, as described below in this clause(2)) that appear, at 11:00 a.m. on the Prime Rate Determination Date, on Telerate Page 38 as the U.S. dollar prime rate or base lending

rate of each bank appearing on that page, *provided that* at least 3 rates appear. In determining the arithmetic mean:

- if 20 or more rates appear, the highest 5 rates (or in the event of equality, 5 of the highest) and the lowest 5 rates (or in the event of equality, 5 of the lowest) will be eliminated,
- if fewer than 20 but 10 or more rates appear, the highest 2 rates (or in the event of equality, 2 of the highest) and the lowest 2 rates (or in the event of equality, 2 of the lowest) will be eliminated, or
- if fewer than 10 but 5 or more rates appear, the highest rate (or in the event of equality, 1 of the highest) and the lowest rate (or in the event of equality, 1 of the lowest) will be eliminated;

(3) if fewer than 3 rates so appear, then the Calculation Agent will request 5 major banks in the City of New York selected by the Calculation Agent (after consultation with Freddie Mac, if Freddie Mac is not then acting as Calculation Agent) to provide a quotation of such banks' U.S. dollar prime rates or base lending rates on the basis of the actual number of days in the year divided by 360 as of the close of business on the Prime Rate Determination Date. If at least 3 quotations are provided, then the Prime Rate will be the arithmetic mean, determined by the Calculation Agent, of the quotations obtained (and, if 5 quotations are provided, eliminating the highest quotation (or in the event of equality, 1 of the highest) and the lowest quotation (or in the event of equality, 1 of the lowest));

(4) if fewer than 3 quotations are so provided, the Calculation Agent will request 5 banks or trust companies organized and doing business under the laws of the United States or any state, each having total equity capital of at least U.S. \$500,000,000 and being subject to supervision or examination by federal or state authority, selected by the Calculation Agent (after consultation with Freddie Mac, if Freddie Mac is not then acting as Calculation Agent), to provide a quotation of such banks' or trust companies' U.S. dollar prime rates or base lending rates on the basis of the actual number of days in the year divided by 360 as of the close of business on the Prime Rate Determination Date. In making such selection of 5 banks or trust companies, the Calculation Agent will include each bank, if any, that provided a quotation as requested in clause (3) above and exclude each bank that failed to provide a quotation as requested in clause (3). If at least 3 quotations are provided, then the Prime Rate will be the arithmetic mean, determined by the Calculation Agent, of the quotations obtained; and

(5) if fewer than 3 quotations are so provided, then the Prime Rate will be the Prime Rate determined for the immediately preceding Reset Date. If the applicable Reset Date is the first Reset Date, then the Prime Rate will be the rate calculated pursuant to clause (1) or (2) for the most recent New York Banking Day preceding the

Reset Date for which at least 3 rates appeared at 11:00 a.m. on either Reuters USPRIME1 Page or Telerate Page 38 (and, if rates appear on both screens on such New York Banking Day, using Reuters USPRIME1 Page).

The following definitions apply to the preceding description of Prime Rate:

- “New York Banking Day” means any day other than (a) a Saturday, (b) a Sunday, (c) a day on which banking institutions in the City of New York are required or permitted by law or executive order to close or (d) a day on which the Federal Reserve Bank of New York is closed.
- “Prime Rate Determination Date” means the New York Banking Day preceding the applicable Reset Date.
- “Reuters USPRIME1 Page” means the display designated as page “USPRIME1” (or any successor page) on Reuters.
- “Telerate Page 38” means the display designated as “Page 38” (or any successor page) provided by Telerate Capital Markets.

#### *Treasury Rate*

The “Treasury Rate” means, with respect to any Reset Date (in the following order of priority):

(1) the auction average rate for direct obligations of the United States (“Treasury Bills”) having the Index Maturity obtained from the most recent auction of Treasury Bills prior to the Reset Date (“Reference Treasury Bill Auction”) as announced by the United States Department of the Treasury (“Treasury Department”) in the form of a press release under the heading “Investment Rate” by 3:00 p.m. on such Reset Date;

(2) if such rate is not so announced, then the Treasury Rate will be the auction average rate for Treasury Bills having the Index Maturity obtained from the Reference Treasury Bill Auction as otherwise announced by the Treasury Department by 3:00 p.m. on the Reset Date as determined by the Calculation Agent;

(3) if such rate is not so announced, the Calculation Agent will request 5 leading primary United States government securities dealers in the City of New York selected by the Calculation Agent (after consultation with Freddie Mac, if Freddie Mac is not then acting as Calculation Agent) to provide a quotation of such dealers’ secondary market bid yields, as of 3:00 p.m. on such Reset Date, for Treasury Bills with a remaining maturity closest to the Index Maturity (or, in the event that the remaining maturities are equally close, the longer remaining maturity). If at least 3 quotations are provided, then the Treasury Rate will be the arithmetic mean, determined by the Calculation Agent, of the quotations obtained; and

(4) if fewer than 3 quotations are so provided, the Treasury Rate will be the Treasury Rate for the immediately preceding Reset Date. If the applicable Reset Date is the first Reset Date, the Treasury Rate will be the auction average rate for Treasury Bills having the Index Maturity from the most recent auction of Treasury Bills prior to the Reset Date for which such rate was announced by the Treasury Department in the form of a press release under the heading “Investment Rate.”

The auction average rate for Treasury Bills and the secondary market bid yield for Treasury Bills will be obtained expressed as a bond equivalent yield on the basis of a year of 365 or 366 days, as applicable (or, if not so expressed, will be converted by the Calculation Agent to such a bond equivalent yield).

#### ***Fixed/Variable Rate Debentures and Medium-Term Notes***

Fixed/Variable Rate Debentures and Medium-Term Notes will bear interest at a fixed rate for one or more periods and at a variable rate for one or more other periods. Fixed/Variable Rate Debentures and Medium-Term Notes also may bear interest at a rate that we may elect to convert from a fixed rate to a variable rate or from a variable rate to a fixed rate, as further described in the applicable Pricing Supplement. See “Description of the Securities — Debentures and Medium-Term Notes — Fixed Rate Debentures and Medium-Term Notes” as to fixed rates and “Description of the Securities — Debentures and Medium-Term Notes — Variable Rate Debentures and Medium-Term Notes” as to variable rates.

If we can convert the interest rate on a Fixed/Variable Rate Debenture or Medium-Term Note from a fixed rate to a variable rate, or from a variable rate to a fixed rate, accrued interest for each Interest Payment Period generally will be calculated using an accrued interest factor in the manner described under “Description of the Securities — Variable Rate Debentures and Medium-Term Notes.”

#### ***Amortizing Debentures and Medium-Term Notes***

Amortizing Debentures and Medium-Term Notes are those on which we make periodic payments of principal during their terms as described in the related Pricing Supplement. Amortizing Debentures and Medium-Term Notes may bear interest at fixed or variable rates.

#### ***Debentures and Medium-Term Notes with Variable Principal Repayment Amounts***

Variable Principal Repayment Amount, or “Indexed,” Debentures and Medium-Term Notes are those on which the amount of principal payable is determined with reference to an index specified in the related Pricing Supplement.

### ***Subordinated Securities***

If specified in the applicable Pricing Supplement, the indebtedness represented by Subordinated Securities and the payment of principal of and interest on Subordinated Securities will be subordinated to prior payment in full of all Senior Obligations of Freddie Mac which are due and payable. Such Senior Obligations will be identified by category in the applicable Pricing Supplement. In addition, there may be other terms applicable to specific offerings of Subordinated Securities that would defer, limit or suspend our obligation to make any payment of principal of or interest on these Subordinated Securities under certain specified conditions. Any such terms and conditions will be specified in the applicable Pricing Supplement.

### ***Stripped Debentures and Medium-Term Notes***

We may designate certain issues of Debentures and Medium-Term Notes (the “Eligible Securities”) as eligible to be stripped into their separate Interest Components and Principal Components (each, a “Component”) on the book-entry records of the Federal Reserve Bank of New York (the “FRBNY”). The Components of an Eligible Security are:

- (i) each future interest payment or portion of an interest payment (each, an “Interest Component”) due on or prior to the Maturity Date or, if the Eligible Security is subject to redemption or repayment prior to the Maturity Date, the first date on which the Eligible Security is subject to redemption or repayment (in either case, the “Cut-off Date”); and
- (ii) the principal payment plus any interest payments that either are due after the Cut-off Date or are specified as ineligible for stripping in the applicable Pricing Supplement (the “Principal Component”).

The initial or final interest payment on an issue of Eligible Securities will not be an Interest Component if the applicable Interest Payment Period is shorter or longer than other Interest Payment Periods, based on a 360-day year consisting of twelve 30-day months. In such case, the initial or final interest payment will remain with the Principal Component. Each Component of an issue of Eligible Securities will receive a different CUSIP Number.

We may designate an issue of Debentures or Medium-Term Notes as Eligible Securities either at the time of original issuance or at any later time prior to the Cut-off Date. We are under no obligation, however, to designate any issue of Debentures or Medium-Term Notes as Eligible Securities.

For an Eligible Security to be stripped into Components, its principal amount must produce an interest payment of \$1,000 or a multiple of \$1,000 on each Interest Payment Date, based on the stated interest rate of the Eligible Security. The minimum principal

amount required to strip an Eligible Security at its original issuance will be specified in the related Pricing Supplement.

You may request that an Eligible Security be stripped into its Components at any time beginning on the date it becomes eligible for stripping until the Cut-off Date. You must make your request to the FRBNY and comply with any requirements and procedures, including payment of any fees, of the FRBNY.

If any modification, amendment or supplement of the terms of an issue of Eligible Securities requires the consent of Holders, only the Holders of Principal Components will be entitled to give or withhold that consent. Holders of Interest Components will have no right to give or withhold such consent. See “The Agreements — Amendment.”

Currently, the FRBNY will restore (“reconstitute”) the Principal Components and unmatured Interest Components of a stripped Eligible Security at the request of a Holder holding a Principal Component and all applicable unmatured Interest Components. The Holder must pay a reconstitution fee (currently the FRBNY’s fee applicable to on-line book-entry securities transfers). Generally, the Principal Component of an issue of Eligible Securities may be combined with either Interest Components of the same issue or Interest Components from other issues of Eligible Securities that have the same CUSIP Number. (Interest Components of two or more issues due on the same date sometimes have the same CUSIP Number). Holders wishing to reconstitute Components into an Eligible Security must also comply with all applicable FRBNY requirements and procedures relating to the stripping and reconstitution of securities.

The preceding discussion is based on our understanding of the way the FRBNY currently strips and reconstitutes securities on the Fed Book-Entry System. The FRBNY may cease stripping or reconstituting Eligible Securities or may change the way this is done or the applicable requirements, procedures or charges at any time without notice.

### ***Reopened Issues***

In our discretion and at any time, we may “reopen” an issue by offering additional Debentures or Medium-Term Notes with terms identical (other than issue date, interest commencement date and issue price) to those of existing Debentures or Medium-Term Notes for which settlement has previously occurred or been scheduled. The additional and existing Debentures or Medium-Term Notes will be consolidated and will form a single series of Securities as specified in the applicable Pricing Supplement.

## Discount Notes

Discount Notes will:

- be unsecured general obligations of Freddie Mac;
- be offered on a continuous basis;
- have maturities of one year or less from their issue date;
- not bear interest;
- be paid only on their Maturity Dates at their principal amounts; and
- be issued, maintained and transferred in minimum principal amounts and additional increments of \$1,000 (in each case expressed in terms of the principal amount payable on the Maturity Date).

We will offer each Discount Note at a fixed price representing a discount from the principal amount payable at maturity. The initial offering price of a Discount Note will be the difference between the face amount of the Discount Note and the amount derived from the following formula:

$$\frac{\text{Face Amount} \times \frac{\text{Applicable Discount Expressed as a Decimal}}{360 \text{ days}} \times \text{Number of Days From Issue Date to Maturity Date}}{360 \text{ days}}$$

We generally will not offer a Discount Note having a Maturity Date that is not a Business Day. If the Maturity Date of a Discount Note should fall on a day that is not a Business Day, its Maturity Date will become the first Business Day following such day. We will pay interest for the days from the original Maturity Date to (but excluding) the revised Maturity Date based on the percentage of discount at which this Discount Note was issued.

We may designate some Discount Notes as Reference Bills, which are regularly scheduled issues auctioned in large principal amounts.

## Corrections

If a principal or interest payment error occurs, we may correct it by adjusting payments to be made on later Interest Payment Dates or Principal Payment Dates (as appropriate) or in any other manner we consider appropriate.

All index values used to determine principal or interest payments are subject to correction within 30 days from the applicable payment. The source of a corrected value must be the same source from which the original value was obtained. A correction might result in an adjustment on a later date to the amount paid to you or a subsequent investor.

For example, if the index value initially used for determining the rate of interest on an issue of Securities is superseded by a corrected value from the original source, the Calculation Agent will use that corrected value to determine the rate of interest payable on such Securities on the applicable Interest Payment Date. To illustrate, assume that LIBOR is the applicable interest rate index for determining the rate of interest payable on a Security. If the Calculation Agent obtains LIBOR for a Reset Date from a Designated Telerate Page, only a corrected rate for that Reset Date obtained from the same Designated Telerate Page may supersede the initial rate. The Calculation Agent will use the corrected rate to determine the rate of interest payable on the Security as of the applicable Interest Payment Date.

We will notify any exchange on which Securities are listed if the Calculation Agent corrects an applicable rate for such Securities.

### **Business Day Convention**

Unless otherwise specified in the applicable Pricing Supplement, if the specified date for a payment is not a Business Day, we will pay the interest or principal of the Security on the next Business Day with the same force and effect as if such payment was made on the applicable Interest Payment Date or Principal Payment Date. Except in the case of Discount Notes, and unless otherwise specified in the applicable Pricing Supplement for an issue of Debentures or Medium-Term Notes, no interest on such payment will accrue for the period from such specified date to the actual date of the payment.

“Business Day” means a day other than (1) a Saturday, (2) a Sunday, (3) as to any Securities on the Fed Book-Entry System, a day on which the FRBNY is closed, (4) as to any Holder of a Security on the Fed Book-Entry System, a day on which the Federal Reserve Bank that maintains the Holder’s account is closed, (5) as to any Securities on the DTC Book-Entry System, a day on which the Depository is closed, or (6) a day on which our offices are closed.

### **Form and Denominations**

Only Fed Participants may be Holders of Securities held on the Fed Book-Entry System. The Federal Reserve Banks will be our fiscal agents for Securities held on the Fed Book-Entry System. There is a Fiscal Agency Agreement between us and the FRBNY, acting on behalf of the Federal Reserve Banks (“Fiscal Agency Agreement”), which makes generally applicable to the Securities:

- The Department of Housing and Urban Development regulations (24 C.F.R. Part 81, Subpart H) applicable to Freddie Mac’s book-entry securities (“Book-Entry Rules”); and
- Any procedures to which we and the FRBNY may agree.

These regulations and procedures relate to the issuance and recordation of, and transfers of interests (including security interests) in, all of our book-entry securities held on the Fed Book-Entry System, regardless of when such securities were issued. Fed Participants' individual accounts are governed by operating circulars and letters of the Federal Reserve Banks.

The Depository is a limited purpose trust company organized under the laws of the State of New York that provides book-entry holding and settlement services for its participants ("Depository Participants"), mostly brokerage firms and other financial institutions. Securities held on the DTC Book-Entry System will be represented by certificates registered in the name of the Depository or its nominee.

The Fed Book-Entry System and the DTC Book-Entry System use a unique nine-character designation, known as a "CUSIP Number," to identify each issue of Securities and, for Eligible Securities, the Components of an issue. Each issue of Discount Notes having the same Maturity Date will have the same CUSIP Number.

The Fed Book-Entry System or the DTC Book-Entry System will hold and transfer Securities in minimum original principal amounts of \$1,000 and additional increments of \$1,000. You may not transfer a Security if, as a result of the transfer, you would have remaining in your account Securities of any issue having a principal amount less than the applicable minimum. Transfers of Securities on the Fed Book-Entry System will also have to comply with any Federal Reserve Bank minimum wire transfer requirements.

The laws of some jurisdictions require that certain purchasers of securities take physical delivery of such securities in certificated form. Such laws may impair the ability to transfer beneficial interests in Securities held on the Fed Book-Entry System or the DTC Book-Entry System.

## **Holders**

A Holder is not necessarily the beneficial owner of a Security. Beneficial owners ordinarily hold Securities through one or more financial intermediaries, such as banks, brokerage firms and securities clearing organizations. For example, an investor may hold a Security through a brokerage firm which, in turn, holds the Security through a Fed Participant. In that case, you would be the beneficial owner and the Fed Participant appearing as the holder on the records of a Federal Reserve Bank would be the Holder.

In the case of a Security maintained on the DTC Book-Entry System, your beneficial ownership will be recorded on the records of the brokerage firm, bank, thrift institution or other financial intermediary where you maintain an account for that purpose. In turn, the financial intermediary's interest in the Security will be recorded on the records of the Depository (or of a Depository Participant that acts as agent for the financial intermediary, if the intermediary is not itself a Depository Participant).

A Holder that is not also the beneficial owner of a Security, and each other financial intermediary in the chain between the Holder and the beneficial owner, will be responsible for establishing and maintaining accounts for their customers. Beneficial owners of a Security may exercise their rights against Freddie Mac, the Federal Reserve Banks and the Depository only through the Holder of the Security. Freddie Mac, the Federal Reserve Banks and the Depository will not have a direct obligation to a beneficial owner of a Security (unless the beneficial owner is also the Holder). A Federal Reserve Bank or the Depository will act only upon the instructions of the Fed Participant or Depository Participant, as applicable, in recording transfers of a Security. Freddie Mac, the Federal Reserve Banks and the Depository may treat the Holder as the absolute owner of a Security for the purpose of making payments and for all other purposes, regardless of any notice to the contrary.

### **Payment Procedures**

A Federal Reserve Bank will credit payments to Holders on the Fed Book-Entry System. Holders of a Security on the records of a Federal Reserve Bank will be entitled to any payments on the Security made on the related Payment Date.

We will make payments on Securities held on the DTC Book-Entry System to the Depository in immediately available funds. The Depository will be responsible for crediting the payment to the accounts of the appropriate Depository Participants in accordance with its normal procedures. Each Depository Participant and each other financial intermediary in the chain to the beneficial owner of a Security will be responsible for remitting payments to the beneficial owner.

## **THE AGREEMENTS**

The following summary describes certain provisions of the Agreements not otherwise described in this Offering Circular.

### **Binding Effect of the Agreements**

You and any financial intermediary or the Holder acting on your behalf agree that the receipt and acceptance of a Security indicates acceptance of the terms and conditions of the applicable Agreement, as that Agreement may be supplemented or amended by its terms.

The Agreements will be binding upon and inure to the benefit of any successor to Freddie Mac.

## **Various Matters Regarding Freddie Mac**

The Agreements provide that Freddie Mac and its directors, officers, employees or agents will not be liable to the Holders for any action taken or omitted in good faith under the Agreements or for errors in judgment. However, they will not be protected against any liability imposed by reason of willful misfeasance, bad faith or gross negligence or by reason of reckless disregard of their obligations and duties.

We may employ agents or independent contractors to perform our responsibilities under the Agreements.

Except upon an Event of Default (as defined below), we will not be subject to the control of the Holders in any manner in the discharge of our responsibilities under the Agreements. Except with regard to our payment obligations, we will have no liability to you other than for any direct damage resulting from our failure to exercise that degree of ordinary care which we exercise in the conduct and management of our own affairs. We will have no liability of any nature for consequential damages.

In addition, the Agreements provide that we need not appear in any legal action that is not incidental to our responsibilities under the Agreements and that we believe may result in any expense or liability. However, we may undertake any legal action that we believe is necessary or desirable in the interests of the Holders in our discretion. We will bear the legal costs of any such action.

## **Events of Default**

An “Event of Default” under the Debenture and Medium-Term Note Agreement (other than for Subordinated Securities) will consist of:

- any failure by us to pay principal or interest that continues unremedied for 30 days;
- any failure by us to perform in any material way any other obligation under the Debenture and Medium-Term Note Agreement if the failure continues unremedied for 60 days after we receive notification by the Holders of at least 25% of the outstanding balance of an issue of Debentures or Medium-Term Notes; or
- specified events of bankruptcy, insolvency or similar proceedings involving us.

The appointment of a conservator (or other similar official) by a regulator having jurisdiction over us, whether or not we consent to such appointment, will not constitute an Event of Default.

The applicable Pricing Supplement for any issue of Subordinated Securities will specify Events of Default that will apply to any such Subordinated Securities.

The Discount Note Agreement does not define events of default or specify the remedies available to you in the event of our default.

### **Rights Upon Event of Default—Debentures and Medium-Term Notes**

If an Event of Default under the Debenture and Medium-Term Note Agreement continues unremedied, Holders of at least 50% of the outstanding principal amount or notional principal amount of an issue of Debentures or Medium-Term Notes to which such Event of Default relates may, by written notice to us, declare such Debentures or Medium-Term Notes due and payable.

No Holder has the right under the Debenture and Medium-Term Note Agreement to institute any action or proceeding at law or in equity or in bankruptcy or otherwise, or for the appointment of a receiver or trustee, or for any other remedy, unless:

- the Holder previously has given us written notice of an Event of Default;
- the Holders of not less than 50% of the outstanding principal amount or notional principal amount of the same issue of Debentures or Medium-Term Notes have given us written notice of the Event of Default; and
- the Event of Default continues uncured for 60 days following such notice.

You do not have any right under the Debenture and Medium-Term Note Agreement to disturb or prejudice the rights of any other investor, to obtain or seek to obtain preference or priority over any other investor or to enforce any right under the Debenture and Medium-Term Note Agreement, except as provided in the Debenture and Medium-Term Note Agreement and for the ratable and common benefit of all such Holders and except for the priority rights of Holders of Senior Obligations over the rights of Holders of Subordinated Securities.

Events of Default that apply to an issue of Senior Obligations may not necessarily be Events of Default for an issue of Subordinated Securities. As a result, the Holders of an issue of Subordinated Securities may not have the same acceleration rights as Holders of other Securities.

The Holders of not less than 50% of the outstanding principal amount or notional principal amount of an issue of Debentures or Medium-Term Notes may waive, rescind or annul an Event of Default at any time.

### **Amendment**

We may amend either Agreement without your consent:

- to cure any ambiguity or to correct any provision in the Agreement if the amendment does not materially and adversely affect any Holder;

- to add to our covenants for your benefit or surrender any right or power conferred upon us;
- to evidence the succession of another entity to us and its assumption of our covenants;
- to conform the terms of an issue of Securities to, or cure any ambiguity or discrepancy resulting from any changes in, the Book-Entry Rules;
- to increase the amount of an issue of Securities; or
- in any other manner we may determine that will not adversely affect your interests in any material way.

With the consent of the Holders of at least 50% of the outstanding balance of an issue of Securities, we may from time to time and at any time amend the terms of such Securities, but no such amendment may, without the written consent or affirmative vote of each affected Holder of a Security,

- change the Maturity Date or Interest Payment Date of such Security;
- materially modify the redemption or repayment provisions, if any, relating to the redemption or repayment price of, or any redemption or repayment date or period for, such Security;
- reduce the principal amount of, delay the principal payment of, or materially modify the rate of interest or the calculation of the rate of interest on, such Security; or
- reduce the percentage of Holders whose consent or affirmative vote is necessary to amend the terms of the relevant issue of Securities.

Any instrument given by a Holder on your behalf relating to a consent will be irrevocable once given and will be conclusive and binding on all subsequent Holders of that Security or any substitute or replacement Security. Any amendment of an Agreement or of the terms of Securities will be conclusive and binding on all Holders of those Securities, whether or not they have given such consent or were present at any meeting.

### **Securities Owned by Freddie Mac**

We may, from time to time, repurchase or otherwise acquire (either for cash or in exchange for newly-issued Securities) some or all of any issue of Securities at any price or prices, in the open market or otherwise. We may hold, sell or cancel any Securities that we repurchase. Any Securities we own will have an equal and proportionate benefit under the provisions of the applicable Agreement, without preference, priority or distinction as among those Securities. However, in determining whether the required percentage of Holders of an

issue of Securities have given any required demand, authorization, notice, consent or waiver, Securities we own, directly or indirectly, will be deemed not to be outstanding.

### **Notice**

Any notice, demand or other communication which is required or permitted to be given to a Holder may be given in writing by mail addressed to the Holder or, in the case of a Holder of a Security maintained on the Fed Book-Entry System, by transmission through the communication system linking the Federal Reserve Banks. The communication will be deemed to have been sufficiently given or made upon mailing or transmission.

Any notice, demand or other communication which is required or permitted to be delivered to us must be given in writing addressed as follows: Freddie Mac, 8200 Jones Branch Drive, McLean, Virginia 22102, Attention: Executive Vice President—General Counsel and Secretary. The communication will be deemed to have been sufficiently given or made only upon actual receipt of the writing by us.

### **Governing Law**

The Agreements and the rights and obligations of the Holders and Freddie Mac with respect to the Securities each are to be interpreted in accordance with U.S. federal law. If there is no applicable U.S. federal law precedent, and if the application of New York law would not frustrate the purposes of the Freddie Mac Act or any provision of the applicable Agreement or the transactions governed by the Agreements, then the laws of the State of New York will be deemed to reflect U.S. federal law.

### **CERTAIN UNITED STATES FEDERAL TAX CONSEQUENCES**

The Securities and payments on the Securities generally are not exempt from taxation by the United States or other U.S. or non-U.S. taxing jurisdictions.

The following summary addresses certain U.S. tax consequences of an investment in those Securities (referred to as “Debt Obligations” in this section) that do not have a Variable Principal Repayment Amount. This summary is based upon U.S. laws, regulations and decisions now in effect, all of which are subject to change, potentially with retroactive effect, or to differing interpretations.

This summary discusses only Debt Obligations held by investors as capital assets within the meaning of Section 1221 of the Internal Revenue Code of 1986, as amended to the date of this Offering Circular (the “Code”). It does not discuss all of the tax consequences that may be relevant to an investor in light of its particular circumstances or to investors subject to special rules, such as certain financial institutions, insurance companies, dealers or investors holding Debt Obligations as part of a hedging transaction,

straddle or synthetic security transaction. Moreover, this summary does not address Debt Obligations held by a foreign partnership or other foreign flow-through entities. Further, the tax consequences arising from the ownership of any Debt Obligations with special characteristics (e.g., subordinated Debt Obligations providing for deferral of, limitation on or suspension of payments of principal or interest in some circumstances) may be set forth in the related Pricing Supplement. In all cases, you are advised to consult your own tax advisor regarding the U.S. tax consequences to you of purchasing, owning and disposing of Debt Obligations (or of stripped payment rights derived from such Debt Obligations), including the advisability of making any of the elections described below, as well as any tax consequences arising under the laws of any state or other taxing jurisdiction.

For purposes of this summary, “U.S. Person” means:

- an individual who, for U.S. income tax purposes, is a citizen or resident of the United States;
- a corporation, partnership or other entity created or organized in or under the laws of the United States, any state thereof, or the District of Columbia, other than a partnership that is not treated as a U.S. Person under any applicable U.S. Treasury regulations (“Regulations”);
- an estate the income of which is subject to U.S. income taxation regardless of its source; or
- a trust if a court within the United States is able to exercise primary supervision over the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust. Certain trusts in existence on or before August 20, 1996, that were treated as U.S. persons under the law in effect on such date but fail to qualify as U.S. persons under current law, may elect to continue to be treated as U.S. persons to the extent prescribed in the Regulations.

“U.S. Owner” means a U.S. Person that beneficially owns a Debt Obligation. “Non-U.S. Owner” means a beneficial owner of a Debt Obligation other than a U.S. Person. “Owner” means either a U.S. Owner or a Non-U.S. Owner.

If we issue Debentures or Medium-Term Notes having a Variable Principal Repayment Amount, the U.S. federal tax treatment of investors in such Debentures or Medium-Term Notes will be described in the related Pricing Supplement.

As a condition to our payment on a Security or to the transfer or exchange of such Security, we may require a Holder to present a certificate in a prescribed form to enable us to determine our duties and liabilities with respect to any taxes or other charges required to be deducted or withheld under United States law or any reporting or other requirements.

## **U.S. Owners**

### ***In General***

Income derived from a Debt Obligation by a U.S. Owner is subject to U.S. income taxation. In addition, a Debt Obligation owned by an individual who, at the time of death, is a U.S. citizen or domiciliary is subject to U.S. federal estate tax.

The U.S. Internal Revenue Service (“IRS”) has ruled that Freddie Mac is an instrumentality of the United States for purposes of Section 7701(a)(19) of the Code; therefore, domestic building and loan associations and savings banks are permitted to invest in Debt Obligations to meet the percentage of total assets required to be invested in, among other things, stock or obligations of a corporation which is an instrumentality of the United States. Further, Debt Obligations held by a real estate investment trust will constitute “Government securities” within the meaning of Section 856(c)(4)(A) of the Code, and Debt Obligations held by a regulated investment company will constitute “Government securities” within the meaning of Section 851(b)(3) of the Code.

The Freddie Mac Act does not contain any specific exemption from any taxes on the principal of or interest on obligations issued by Freddie Mac imposed by any state or possession of the United States or by any local taxing authority. Purchasers residing in states of the United States that impose intangible property or income taxes should consult their own tax advisors as to the status of the Debt Obligations and interest paid on them under applicable tax laws.

### ***Payments of Interest***

Interest paid on a Debt Obligation generally will be taxable to a U.S. Owner as ordinary interest income at the time it accrues or is received in accordance with the U.S. Owner’s method of accounting for U.S. federal income tax purposes.

### ***Debt Obligations with Original Issue Discount***

Debt Obligations that are Zero Coupon Debentures will, and other Debt Obligations may, be issued with original issue discount. The Code and Regulations concerning the tax treatment of debt instruments issued with original issue discount (“OID Regulations”) provide that the excess of the “stated redemption price at maturity” of a Debt Obligation over its “issue price” will be original issue discount unless such excess is *de minimis* (defined below). The “stated redemption price at maturity” of a Debt Obligation is equal to the sum of all payments on the Debt Obligation other than interest based on a fixed rate (or a variable rate, unless a related Pricing Supplement provides otherwise) and payable unconditionally at least annually. The “issue price” of a Debt Obligation is the first price at which a substantial amount of the issue of which the Debt Obligation is a part is sold to persons other than those acting as placement agents, underwriters, brokers or wholesalers.

The issue price of a Debt Obligation generally includes any pre-issuance accrued interest unless a U.S. Owner excludes such amount from the issue price and treats a portion of the stated interest payable on the first interest payment date as a return of that accrued interest rather than as an amount payable under the Debt Obligation. Original issue discount is considered to be *de minimis* if it is less than one-quarter of one percent of a Debt Obligation's stated redemption price at maturity multiplied by the number of complete years to its maturity (weighted average maturity if principal is payable in installments). A Debt Obligation having original issue discount is referred to as an "OID Debt Obligation." A U.S. Owner of a Debt Obligation with *de minimis* original issue discount will include any *de minimis* original issue discount in income, as capital gain, on a pro rata basis as principal payments are made on the Debt Obligation.

Special rules apply to Debt Obligations that are callable by us, including Debt Obligations that are Step Debentures and Medium-Term Notes that have an initial fixed interest rate that will change to a different fixed rate on the first day on which such Debt Obligations may be redeemed ("Step Debt Obligations"). See "Certain United States Federal Tax Consequences — U.S. Owners — Callable Debt Obligations." Other special rules may apply to Debt Obligations that are Variable Rate Notes, Debt Obligations that provide for a fixed rate and a variable rate in different periods, Debt Obligations with a zero or reduced interest rate for certain periods, and certain other situations.

Subject to certain special rules for Debt Obligations having a maturity of one year or less (discussed below), U.S. Owners are required to include original issue discount on OID Debt Obligations in income as it accrues, which may be before the receipt of the cash attributable to such income, based on a compounding of interest at a constant rate (using the yield to maturity of the Debt Obligation when originally issued). Under these rules, the portion of the original issue discount includible in income is lowest in the first accrual period and increases in each successive accrual period. The OID Regulations permit U.S. Owners to use accrual periods of any length up to one year to compute accruals of original issue discount, provided each scheduled payment of principal or interest occurs either on the first or the last day of an accrual period.

### ***Callable Debt Obligations***

The OID Regulations provide special rules for determining the yield and maturity of debt instruments that are unconditionally callable prior to their final maturity date. Under these rules, we will be presumed to exercise a call right if such exercise would minimize the yield to maturity of the Debt Obligation. If a call right with respect to an OID Debt Obligation is presumed to be exercised but we do not in fact exercise the call right, the Debt Obligation will be treated as reissued at the "adjusted issue price" on the call date solely for purposes of determining future accruals of interest and original issue discount. The adjusted issue price is defined as the sum of the issue price of the Debt Obligation and the aggregate

amount of previously accrued original issue discount (determined without regard to the acquisition premium rules), less any prior payments of amounts included in its stated redemption price at maturity.

For example, a fixed rate Debt Obligation that is issued at a discount and is callable at par will not be deemed to be called because exercise of the call right will not minimize the yield of such Debt Obligation. A Step Debt Obligation that is issued at par and is callable at par on the dates specified for increases in interest rates will be deemed to be called on the first step date because the yield to maturity on the Debt Obligation will be lower than if the interest rate were stepped up. If the Step Debt Obligation is not called on that date, or is called only in part, the Step Debt Obligation (to the extent of its remaining outstanding principal amount) will be deemed to be called and reissued at par. As a result of these special rules, a Step Debt Obligation issued at par will not have any original issue discount and stated interest will be taken into account by a U.S. Owner under its regular method of accounting.

If a principal purpose in structuring a debt instrument is to achieve a result that is unreasonable in light of the purposes of the statutes relating to original issue discount, then the OID Regulations provide that the IRS can apply or depart from the OID Regulations, including the rules relating to the exercise of call rights described above, as necessary or appropriate to achieve a reasonable result. We intend to report income on any Step Debt Obligations with the features described above assuming this anti-abuse rule does not apply.

#### ***Debt Obligations with a Term of One Year or Less***

A Debt Obligation that matures one year or less from the date of its issuance is referred to as a “Short-Term Debt Obligation.” For purposes of determining whether a Debt Obligation is a Short-Term Debt Obligation, the maturity date of the Debt Obligation is the last possible date it could be outstanding under its terms. For example, a Step Debt Obligation that has a maturity of more than one year but, under the rules described in the previous section, is presumed to be called on a date that is one year or less from the issue date, will not constitute a Short-Term Debt Obligation.

Accrual method U.S. Owners and certain other U.S. Owners described in Section 1281(b) of the Code, regardless of their method of accounting, are required to include original issue discount and stated interest (if any) with respect to a Short-Term Debt Obligation in income as it accrues. Original issue discount and stated interest must be accrued on a straight-line basis unless the U.S. Owner makes an irrevocable election to accrue such amounts on the basis of the Short-Term Debt Obligation’s yield to maturity and daily compounding. U.S. Owners described in this paragraph may irrevocably elect to accrue “acquisition discount” (*i.e.*, the excess of the stated redemption price at maturity over the U.S. Owner’s basis in the Short-Term Debt Obligation) rather than original issue discount. Such U.S. Owners should consult their tax advisors before making this election.

Cash method U.S. Owners of a Short-Term Debt Obligation generally include original issue discount and stated interest (if any) in income as payments are received. A cash method U.S. Owner of a Short-Term Debt Obligation described in Section 1281(b) of the Code, however, is subject to the rules described in the preceding paragraph. In addition, a cash method U.S. Owner of a Short-Term Debt Obligation (that is not otherwise required to account for interest or original issue discount on such Short-Term Debt Obligation as it accrues) may nevertheless elect to include in income interest and original issue discount as they accrue (under the rules discussed above) on all obligations having a maturity of one year or less held by the U.S. Owner in the taxable year of the election and in all subsequent years. This election is irrevocable without the consent of the IRS. In the case of a U.S. Owner that is not required and that does not elect to include original issue discount in income currently, (i) any gain realized upon the sale, exchange or retirement of a Short-Term Debt Obligation will be ordinary income to the extent of accrued original issue discount and (ii) such U.S. Owner will be required to defer deductions for interest expense on any indebtedness incurred or continued to purchase or carry the Short-Term Debt Obligation, in an amount not exceeding the deferred interest income, until the deferred interest income is recognized.

#### **Acquisition Premium and Market Discount**

In the event that a U.S. Owner purchases an OID Debt Obligation at an “acquisition premium” (*i.e.*, at a price in excess of its adjusted issue price but less than its remaining stated redemption price at maturity), an adjustment must be made to the amount includible in income in each taxable year as original issue discount. Unless a U.S. Owner makes the accrual method election described below, the original issue discount includible for any taxable year is reduced by the product of the amount of original issue discount otherwise accruing during that taxable year under the rules described above and a constant fraction, the numerator of which is the excess of the purchase price of the Debt Obligation over the adjusted issue price of the Debt Obligation as of the acquisition date, and the denominator of which is the remaining original issue discount on the Debt Obligation as of the acquisition date.

A U.S. Owner that purchases a Debt Obligation (other than a Short-Term Debt Obligation) at a “market discount” (*i.e.*, at a price less than its stated redemption price at maturity or, in the case of an OID Debt Obligation, its adjusted issue price) will be required (unless such difference is a *de minimis* amount) to treat any principal payments on, or any gain realized in a taxable disposition or retirement of, such Debt Obligation as ordinary income to the extent of the market discount that accrued while such U.S. Owner held such Debt Obligation, unless the U.S. Owner elects to include such market discount in income on a current basis. Market discount is considered to be *de minimis* if it is less than one-quarter of one percent of the Debt Obligation’s stated redemption price at maturity multiplied by the number of complete years to maturity (weighted average maturity if principal is payable in

installments) after the U.S. Owner acquired such Debt Obligation. If a Debt Obligation with more than a *de minimis* amount of market discount is disposed of in a transaction that is nontaxable in whole or in part (other than certain transactions described in Section 1276(d) of the Code), accrued market discount will be includible as ordinary income to the U.S. Owner as if such U.S. Owner had sold the Debt Obligation at its then fair market value. Generally, market discount accrues ratably over the number of days from the date of acquisition to the date of maturity. A U.S. Owner may, however, irrevocably elect with respect to any Debt Obligation to use a constant interest method. A U.S. Owner of a Debt Obligation that acquired it at a market discount and that does not elect under Section 1278(b) of the Code to include market discount in income on a current basis also may be required to defer the deduction for a portion of the interest expense on any indebtedness incurred or continued to purchase or carry the Debt Obligation until the deferred income is realized.

### ***Debt Obligations Purchased at a Premium***

Except as noted below, a U.S. Owner that purchases a Debt Obligation for an amount in excess of its remaining stated redemption price at maturity will be treated as having premium with respect to such Debt Obligation in the amount of such excess. A U.S. Owner that purchases an OID Debt Obligation at a premium is not required to include in income any original issue discount with respect to such Debt Obligation. If such a U.S. Owner makes an election under Section 171(c)(2) of the Code to treat such premium as “amortizable bond premium,” the amount of interest on a Debt Obligation that must be included in such U.S. Owner’s income for each accrual period (where such Debt Obligation is not optionally redeemable prior to its maturity date) will be reduced (but not below zero) by the portion of the premium allocable to such period based on the Debt Obligation’s yield to maturity. If such Debt Obligation may be called prior to maturity after the U.S. Owner has acquired it, the U.S. Owner generally may not assume that the call will be exercised and must amortize premium to the maturity date. If the Debt Obligation is in fact called, any unamortized premium may be deducted in the year of the call. If a U.S. Owner makes the election under Section 171(c)(2) of the Code, the election also shall apply to all bonds the interest on which is not excludable from gross income (“Fully Taxable Bonds”) held by the U.S. Owner at the beginning of, or acquired during, the first taxable year to which the election applies and to all Fully Taxable Bonds acquired by it in subsequent years. This election is irrevocable without the consent of the IRS. If such an election is not made, such a U.S. Owner must include the full amount of each interest payment in income in accordance with its regular method of accounting and will take the premium into account in computing its gain or loss upon the sale or other disposition or retirement of the Debt Obligation. Thus, the premium may reduce capital gain or increase capital loss realized on the disposition or retirement. See “Certain United States Federal Tax Consequences — U.S. Owners — Disposition or Retirement of Debt Obligations.”

### ***Accrual Method Election***

Under the OID Regulations, a U.S. Owner of a Debt Obligation is permitted to elect to include in gross income its entire return on a Debt Obligation (*i.e.*, the excess of all remaining payments to be received on the Debt Obligation over the amount paid for the Debt Obligation by such U.S. Owner) based on the compounding of interest at a constant rate. If the U.S. Owner has not made an election under Section 171(c)(2) of the Code to amortize bond premium, an accrual method election for a Debt Obligation with amortizable bond premium will result in a deemed election under Section 171(c)(2) of the Code for all of the U.S. Owner's debt instruments with amortizable bond premium acquired during the current year and all subsequent years. Similarly, an accrual method election for a Debt Obligation with market discount by a U.S. Owner that has not made an election under Section 1278(b) of the Code to include market discount in income on a current basis will result in a deemed election under Section 1278(b) of the Code. Such a deemed election will apply to all debt instruments with market discount acquired by the U.S. Owner during the current year and all subsequent years. Neither the bond premium election under Section 171(c)(2) of the Code nor the market discount election under Section 1278(b) of the Code may be revoked without the permission of the IRS.

### ***Disposition or Retirement of Debt Obligations***

Upon the sale, exchange or other disposition of a Debt Obligation, or upon the retirement of a Debt Obligation (including by redemption), a U.S. Owner will recognize gain or loss equal to the difference, if any, between the amount realized upon the disposition or retirement (not including any amount attributable to accrued but unpaid interest) and the U.S. Owner's tax basis in the Debt Obligation. A U.S. Owner's tax basis for determining gain or loss on the disposition or retirement of a Debt Obligation is the cost of such Debt Obligation to such U.S. Owner, increased by the amount of original issue discount and any market discount includible in such U.S. Owner's gross income with respect to such Debt Obligation, and decreased by (i) the amount of any payments under the Debt Obligation that are part of its stated redemption price at maturity and (ii) the portion of any premium applied to reduce interest payments as described above.

Gain or loss upon the disposition or retirement of a Debt Obligation will be capital gain or loss, except to the extent the gain represents accrued original issue discount or market discount on the Debt Obligation not previously included in gross income, to which extent such gain or loss would be treated as ordinary income. Any capital gain or loss will be long-term capital gain or loss if at the time of disposition or retirement the Debt Obligation has been held for more than one year. With respect to Step Debt Obligations described above, if a call that is presumed exercised is not in fact exercised, the deemed reissuance of the Debt Obligations for purposes of computing subsequent accruals of interest and original

issue discount will not result in a deemed disposition or retirement of the Step Debt Obligations.

### ***Stripped Debt Obligations***

*Tax Treatment of Purchasers of Principal or Interest Components.* Pursuant to Section 1286 of the Code, the separation of ownership of the right to receive some or all of the interest payments on a debt obligation from ownership of the right to receive some or all of the principal payments results in the creation of “stripped bonds” with respect to principal payments and “stripped coupons” with respect to interest payments. Consequently, a purchaser of a Principal Component or an Interest Component will be considered to own stripped bonds or stripped coupons, respectively.

Section 1286 of the Code treats a stripped bond or a stripped coupon, for purposes of applying the original issue discount rules, as a debt instrument issued with original issue discount on the date that such stripped bond or stripped coupon is purchased. Accordingly, the tax consequences to a purchaser of a Component are determined as if the Component were an OID Debt Obligation issued on the date of purchase or, in the case of a Component maturing one year or less from the date of purchase, a Short-Term Debt Obligation issued on that date. See “Certain United States Federal Tax Consequences — U.S. Owners — Debt Obligations with Original Issue Discount” and “ — Debt Obligations with a Term of One Year or Less” and “Certain United States Federal Tax Consequences — Non-U.S. Owners — Interest.” The amount of original issue discount is equal to the excess (if any) of the Component’s stated redemption price at maturity (in the case of an Interest Component, the amount payable on the due date of such Component), over the purchase price.

If a U.S. Owner purchases in one transaction a pro rata share of the Principal Component and applicable unmatured Interest Components relating to the same Debt Obligation, while the matter is not free from doubt, such U.S. Owner should be treated as purchasing an undivided interest in the Debt Obligation rather than the separate Components. If such Components are purchased in separate transactions, then the U.S. Owner likely should be treated as purchasing the separate Components for U.S. federal income tax purposes. Such a U.S. Owner must account for taxable income with respect to such Components as described in the preceding paragraph.

*Tax Treatment of Person That Strips the Debt Obligation and Disposes of Some of the Components.* A U.S. Owner of a Debt Obligation that strips the Debt Obligation into its related Components and disposes of some of such Components will also be subject to the rules of Section 1286 of the Code. On the date of disposition, the U.S. Owner must (i) include in income all interest and market discount accrued on the Debt Obligation and not previously included in income, (ii) increase its basis in the Debt Obligation by the same amount, (iii) allocate its basis in the Debt Obligation among the Principal Component and

Interest Components retained and disposed of according to their respective fair market values, and (iv) recognize gain or loss with respect to the Principal Component and Interest Components disposed of. Such U.S. Owner will be treated as having purchased the retained Components for an amount equal to the basis allocable to such Components.

*Tax Treatment of Stripping and Reconstitution Transactions.* An exchange by a U.S. Owner of a Debt Obligation for the related Components will not constitute a taxable exchange to the U.S. Owner. Similarly, a reconstitution of Components into a single instrument will not constitute a taxable exchange. In either case, the U.S. Owner will be treated as continuing to own for Federal income tax purposes the property that it owned prior to the exchange.

## **Non-U.S. Owners**

### ***Interest***

Interest (including original issue discount) on a Debt Obligation held by a Non-U.S. Owner will be subject to a 30-percent U.S. federal income and withholding tax, unless an exemption applies. An exemption generally exists in the following circumstances:

*Exemption for Certain Short-Term Obligations.* Interest on a Debt Obligation held by a Non-U.S. Owner that is not effectively connected with a trade or business of the Non-U.S. Owner within the United States will be exempt from U.S. federal income and withholding taxes if the Debt Obligation is payable in full within 183 days after the date of original issue.

*Exemption for Portfolio Interest.* Interest on a Debt Obligation held by a Non-U.S. Owner that is not effectively connected with a trade or business of the Non-U.S. Owner within the United States generally will be exempt from U.S. federal income and withholding taxes if the person otherwise required to withhold receives, in the manner provided by U.S. tax authorities, a certification that the Non-U.S. Owner is not a U.S. Person. A Non-U.S. Owner may provide this certification by providing a properly completed Form W-8BEN or other documentation prescribed by U.S. tax authorities. The appropriate documentation must be effective as to the interest and be provided prior to the payment of such interest. If a change in circumstances makes any information on such documentation incorrect, then the Non-U.S. Owner must report the change within 30 days and provide new documentation.

The portfolio interest exemption will not apply if: (i) the interest is determined by reference to any receipts, sales or other cash flow of Freddie Mac or a related person, the income or profits of Freddie Mac or a related person, a change in value of any property of Freddie Mac or a related person, or any other item specified in Section 871(h)(4)(A) of the Code, (ii) the Non-U.S. Owner is a bank that receives payments on the Debt Obligations that are described in Section 881(c)(3)(A) of the Code, (iii) the Non-U.S. Owner is a 10-percent shareholder of Freddie Mac within the meaning of Section

871(h)(3)(B) of the Code or (iv) the Non-U.S. Owner is a “controlled foreign corporation” related to Freddie Mac within the meaning of Section 881(c)(3)(C) of the Code.

*Exemption or Reduced Rate for Non-U.S. Owners Entitled to the Benefits of a Treaty.*

Interest on a Debt Obligation held by a Non-U.S. Owner may be exempt from U.S. federal income and withholding taxes (or subject to such tax at a reduced rate) under an income tax treaty between the United States and a foreign jurisdiction. In general, the exemption (or reduced rate) applies only if the Non-U.S. Owner provides a properly completed Form W-8BEN or other documentation prescribed by U.S. tax authorities. The appropriate documentation must be effective as to the interest and be provided prior to the payment of such interest. If a change in circumstances makes any information on such documentation incorrect, then the Non-U.S. Owner must report the change, generally within 30 days, and provide new documentation.

A treaty exemption (or reduced rate of tax) generally will not apply if the Non-U.S. Owner holds the Debt Obligation through an entity that is “fiscally transparent” for U.S. federal income tax purposes but not fiscally transparent under the laws of the Non-U.S. Owner’s jurisdiction of residence. An entity is considered fiscally transparent if its interest holders currently take into account their respective shares of the entity’s income and determine the character of such income as if they realized it directly.

*Exemption for Non-U.S. Owners with Effectively Connected Income.* Interest on a Debt Obligation held by a Non-U.S. Owner will be exempt from the 30-percent U.S. federal withholding tax if it is effectively connected with the conduct of a trade or business within the United States and the Non-U.S. Owner establishes this exemption by providing a properly completed Form W-8ECI or other documentation prescribed by U.S. tax authorities. The appropriate documentation must be effective as to the interest and be provided prior to the payment of such interest. If a change in circumstances makes any information on such documentation incorrect, then the Non-U.S. Owner must report the change, generally within 30 days, and provide new documentation. Interest on a Debt Obligation that is, or is deemed to be, effectively connected with the conduct of a trade or business in the United States by a Non-U.S. Owner, although exempt from the withholding tax, generally will be subject to U.S. federal income tax at graduated rates and, in the case of a foreign corporation, U.S. federal branch profits tax.

***Disposition or Retirement of Debt Obligations***

Except as provided in the discussion of backup withholding below, a Non-U.S. Owner of a Debt Obligation will not be subject to U.S. federal income and withholding taxes on any gain realized on the sale, exchange, retirement or other disposition of a Debt Obligation unless (i) such gain is, or is deemed to be, effectively connected with a trade or business in the United States of the Non-U.S. Owner or (ii) such Non-U.S. Owner is an individual

who is present in the United States for 183 days or more in the taxable year of sale, exchange, retirement or other disposition and certain conditions are met.

### ***U.S. Federal Estate and Gift Tax***

Debt Obligations owned by an individual who is not a citizen or domiciliary of the United States will not be subject to U.S. federal estate tax if interest paid on the Debt Obligations to such individual at the time of his or her death would have been exempt from U.S. federal income and withholding tax as described above under either “Certain United States Federal Tax Consequences — Non-U.S. Owners — Interest — Exemption for Portfolio Interest” (without regard to the requirement that a non-U.S. beneficial ownership statement be received) or “Certain United States Federal Tax Consequences — Non-U.S. Owners — Interest — Exemption for Certain Short-Term Obligations.” A Non-U.S. Owner of a Debt Obligation will not be subject to U.S. gift tax on a transfer of the Debt Obligation, unless the Non-U.S. Owner is an expatriate subject to Section 2501(a)(3) of the Code.

### **Information Reporting and Backup Withholding**

Payments of interest on a Debt Obligation to a U.S. Owner (other than a corporation or other exempt recipient) are required to be reported to the IRS and the U.S. Owner. Payments of interest on a Debt Obligation to a Non-U.S. Owner (other than interest described above under “Certain United States Federal Tax Consequences — Non-U.S. Owners — Interest — Exemption for Certain Short-Term Obligations”) generally will be reported to U.S. tax authorities and the Non-U.S. Owner. Form W-8BEN, Form W-8ECI or other documentation or information about the Non-U.S. Owner may be provided to U.S. tax authorities.

Backup withholding of U.S. federal income tax at a rate of 30% (subject to periodic reductions through 2006) may apply to a payment made in respect of a Debt Obligation, as well as a payment of proceeds from the sale of a Debt Obligation, to an Owner (other than a corporation or other exempt recipient), unless the Owner provides certain information.

If an Owner (other than a corporation or other exempt person) sells a Debt Obligation before the stated maturity to (or through) certain brokers, the broker must report the sale to the IRS and the Owner unless, in the case of a Non-U.S. Owner, the Non-U.S. Owner certifies that it is not a U.S. Person (and certain other conditions are met). The broker may be required to withhold U.S. federal income tax at a rate of 30% (subject to periodic reductions through 2006) on the entire sale price unless such Owner provides certain information and, in the case of a Non-U.S. Owner, the Non-U.S. Owner certifies that it is not a U.S. Person (and certain other conditions are met).

**THE U.S. FEDERAL TAX DISCUSSION SET FORTH ABOVE IS INCLUDED FOR GENERAL INFORMATION ONLY AND MAY NOT BE APPLICABLE DEPENDING UPON AN**

**OWNER'S PARTICULAR SITUATION. OWNERS SHOULD CONSULT THEIR OWN TAX ADVISORS WITH RESPECT TO THE TAX CONSEQUENCES TO THEM OF THE OWNERSHIP AND DISPOSITION OF THE DEBT OBLIGATIONS, INCLUDING THE TAX CONSEQUENCES UNDER THE TAX LAWS OF THE UNITED STATES, STATES, LOCALITIES, COUNTRIES OTHER THAN THE UNITED STATES AND ANY OTHER TAXING JURISDICTIONS AND THE POSSIBLE EFFECTS OF CHANGES IN SUCH TAX LAWS.**

#### **APPLICATION OF PROCEEDS**

The net proceeds we receive from sales of the Securities will provide funds for general corporate purposes, including the purchase and financing of mortgages.

#### **LEGAL INVESTMENT CONSIDERATIONS**

You should consult your own legal advisors to determine whether the Securities constitute legal investments for you and whether the Securities can be used as collateral for borrowings. In addition, financial institutions should consult their legal advisors or regulators to determine the appropriate treatment of the Securities under risk-based capital and 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 certain types of Securities generally. 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 Treasury Department or any other federal or state agency with similar authority should review applicable regulations, policy statements and guidelines before purchasing or pledging Securities.

#### **DISTRIBUTION ARRANGEMENTS**

##### **Debentures and Medium Term-Notes**

We will offer the Debentures and Medium-Term Notes to or through Dealers under the terms and conditions set forth in a Master Dealer Agreement, dated as of January 31, 2001 and as further amended, supplemented or modified or replaced from time to time (the "Dealer Agreement"), between us and certain Dealers. Dealers are firms that engage in the business of dealing or trading in Securities as agents, brokers or principals. Under the terms of the Dealer Agreement, we may add other securities dealers or banks in connection with the distribution of the Securities or any particular issue of Securities. These securities dealers or banks, together with the initial Dealers with whom Freddie Mac executed the

Dealer Agreement, are referred to in this Offering Circular collectively as the “Dealers.” The Dealer Agreement also provides that we may remove Dealers from time to time.

We will sell Debentures and Medium-Term Notes to Dealers as principals, either individually or as part of a syndicate. These sales may be by auction or other methods. Dealers will resell the Securities to investors at a fixed offering price or at varying offering prices related to market prices prevailing at the time of resale as determined by such Dealers. Offering prices may be established through negotiations with dealers, auctions (which may include standard auctions, Dutch auctions or other formats) or otherwise. The Dealer Agreement entitles the Dealers or us to terminate such sale in certain circumstances before payment for the Securities is made to us. Except under certain circumstances, any such Dealer may sell the Debentures or Medium-Term Notes it has purchased as principal to other dealers at a concession, in the form of a discount that other dealers may receive. The applicable Dealers will advise us whether an offering is on a fixed price or variable price basis and of any concessions or reallowances that will be provided to other dealers in connection with such offering. We will include this information that the Dealers provide in the applicable Pricing Supplement. After the initial offering of any issue of Debentures or Medium-Term Notes, the offering price (in the case of a fixed price offering), the concession and the reallowance may be changed. There will be no underwriting compensation where such sales are by auction.

Debentures and Medium-Term Notes also may be offered through certain Dealers as our agents. We will have the sole right to accept offers to purchase such Securities and may reject any proposed purchase of such Securities. Each Dealer will have the right, in its reasonable discretion, without notice to us, to reject any proposed purchase of the Securities through it as agent. Each Dealer is acting solely as our agent in soliciting offers to purchase Securities as agent, and not as principal, and does not assume any obligation towards or relationship of agency or trust with any purchaser of Securities.

We also may sell Debentures and Medium-Term Notes directly to investors on our own behalf. We will not pay a commission to any Dealer on these direct sales. These sales may be by auction or other method.

A Dealer acting as a principal for a fixed price offering may engage in certain transactions that stabilize, maintain or otherwise affect the market price, or that support the market price at a higher level than that which might otherwise prevail, in connection with any offering of Debentures or Medium-Term Notes. Those transactions may include stabilizing bids or purchases for the purpose of pegging, fixing or maintaining the market price of the Debentures or Medium-Term Notes and the purchase of Debentures or Medium-Term Notes to cover syndicate short positions created in connection with an offering of Debentures or Medium-Term Notes. Any such transactions will be conducted in compliance with all applicable laws, regulations and rules.

A Dealer may create a short position in the Debentures or Medium-Term Notes in connection with the offering by selling Debentures or Medium-Term Notes with a principal amount greater than that set forth on the cover of the applicable Pricing Supplement, and may reduce that short position by purchasing Debentures or Medium-Term Notes in the open market.

In general, purchases of a security for the purpose of stabilization or to reduce a short position could cause the price of the security to be higher than it might be in the absence of such purchases. We and the Dealers make no representation or prediction as to the direction or magnitude of any effect that the transactions described above may have on the price of the Debentures or Medium-Term Notes. In addition, we and the Dealers make no representation that the Dealers will engage in such transactions or that such transactions, once commenced, will be continued. A Dealer that engages in such transactions does so on its own behalf and not as our agent.

We and the Dealers have agreed to indemnify each other against and contribute toward certain liabilities.

### **Discount Notes**

We offer Discount Notes for sale through one or a combination of methods, including auction, allocation to selected Dealers for reoffering or placement with investors, and direct placement with Dealers or investors.

Discount Notes generally are offered on a continuous basis for sale to Dealers. The sales may be held on a daily basis and there may be more than one sale on a given day. Current quotations for Discount Notes of varying maturities can be obtained by contacting any Dealer for Discount Notes.

Freddie Mac may compensate Dealers in connection with sales of Discount Notes by paying a commission to the Dealers.

### **General**

The Dealers and certain affiliates of the Dealers engage in transactions with and perform services for us in the ordinary course of business. We may enter into hedging transactions in connection with any particular issue of Securities, including forwards, futures, options, interest rate or exchange rate swaps and repurchase or reverse repurchase transactions with, or arranged by, the applicable Dealer, an affiliate of the Dealer or an unrelated entity. We, the Dealers or other parties may receive compensation, trading gain or other benefits in connection with these transactions. We are not required to engage in any of these transactions. If we commence these transactions, we may discontinue them at any time. Counterparties to these hedging activities also may engage in market transactions involving Securities.

Payment of the purchase price of Securities to us must be made in immediately available funds and will be effective only upon our receipt of such funds.

You can obtain lists of Dealers for the Securities by contacting our Investor Relations Department.

We may request the Dealers to provide us with information relating to the Securities that they sell, including the identities of investors that have made purchases of Securities.

### **Selling Restrictions**

The Securities may be offered and sold only where it is legal to make such offers and sales.

## **LEGAL MATTERS**

The legality of Securities that are offered in underwritten transactions will be passed upon for us by Maud Mater, Esq., Executive Vice President — General Counsel and Secretary of Freddie Mac.

## **CAPITALIZATION**

The Information Statement and Information Statement Supplements include capitalization tables as of the end of the related annual and quarterly periods.

The following table sets forth Freddie Mac's capitalization as of December 31, 2001. Dollars are in millions.

### Debt securities:

Due within one year:	
Discount notes, medium-term notes and securities sold under agreements to repurchase .....	\$229,255
Current portion of long-term debt .....	21,083
Total due within one year .....	250,338
Due after one year .....	311,608
Total debt securities, net .....	561,946
Subordinated borrowings .....	3,125
Stockholders' equity .....	15,373
Total capitalization .....	<u>\$580,444</u>

Freddie Mac engages in transactions affecting stockholders' equity from time to time and issues or retires debentures, notes and other debt obligations on an ongoing basis. In addition, management's implementation of Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended

("SFAS 133"), on January 1, 2001 affects, perhaps substantially, the volatility of both "Net income" and "Stockholders' equity" in subsequent periods. Accordingly, on any date after December 31, 2001, stockholders' equity may differ, and the amount of debt obligations outstanding will differ, and may differ substantially, from the figures contained in this capitalization table.

### **OPERATING EARNINGS**

Operating earnings, along with corresponding ratios, reflect adjustments to reported results to exclude certain accounting effects associated with SFAS 133. These adjustments include the elimination of the "Cumulative change in accounting principle, net of taxes" and "Fair value gains (losses)," which are included in earnings prepared in accordance with accounting principles generally accepted in the United States ("GAAP"), and certain SFAS 133 hedged item amortization as well as the recognition of straight-line amortization expense on purchased option premiums, which differs from how these premiums are amortized for reported earnings. Management believes that results presented on an operating basis are beneficial in understanding and analyzing Freddie Mac's financial performance because they better reflect the economic impact of the corporation's risk management activities. Freddie Mac's operating earnings may not be comparable to supplemental performance measures that are used by other companies and which may have similar titles.

### **SELECTED FINANCIAL INFORMATION**

We have summarized or derived the reported data on the following table for the years 1997 through 2001 from our audited consolidated financial statements or our internal accounting records. These data should be read in conjunction with the audited consolidated financial statements and notes to consolidated financial statements that are presented in our Information Statement. Operating data on the following table are unaudited for all periods presented and are derived from the sources noted previously. In management's opinion, these data include all adjustments necessary for a fair presentation. Adjustments included in the table are of a normal, recurring nature, other than the cumulative effect of change in accounting principle as a result of the adoption of SFAS No. 133, which required us to recognize all derivatives on our balance sheet as either assets or liabilities measured at their fair value beginning on January 1, 2001.

	At or for the Year Ended December 31,				
	2001	2000	1999	1998	1997
	(dollars in millions, except per share amounts)				
<b>Operating Data (1) (2)</b>					
Operating earnings	\$ 3,154	\$ 2,547	\$ 2,223	\$ 1,700	\$ 1,395
Operating earnings per common share — diluted	\$ 4.21	\$ 3.40	\$ 2.96	\$ 2.31	\$ 1.88
Operating return on realized common equity (3)	23.1%	22.9%	23.8%	24.6%	23.7%
Operating revenues	\$ 5,844	\$ 4,457	\$ 4,055	\$ 3,337	\$ 3,029
<b>Reported Data (4)</b>					
<b>Balance Sheet and Capital Measures</b>					
Total assets	\$ 617,340	\$ 459,297	\$ 386,684	\$ 321,421	\$ 194,597
Debt securities, net	\$ 561,946	\$ 426,754	\$ 360,581	\$ 287,234	\$ 172,321
Total liabilities (5)	\$ 598,367	\$ 443,865	\$ 374,602	\$ 309,978	\$ 186,154
Summary of Capital Measures:					
Core capital (6)	\$ 19,336	\$ 14,381	\$ 12,691	\$ 10,715	\$ 7,375
Reserve for mortgage losses (7)	801	784	772	768	694
Total capital	20,137	15,165	13,463	11,483	8,069
Subordinated borrowings	3,125	145	130	162	521
Adjusted total capital	\$ 23,262	\$ 15,310	\$ 13,593	\$ 11,645	\$ 8,590
<b>Portfolio Balances</b>					
Retained portfolio (8)	\$ 491,719	\$ 385,693	\$ 324,443	\$ 255,009	\$ 164,421
Total Mortgage Participation Certificates or PCs (9)	\$ 948,409	\$ 822,310	\$ 749,081	\$ 646,459	\$ 579,385
PCs held in retained portfolio	\$ 301,961	\$ 246,209	\$ 211,198	\$ 168,108	\$ 103,400
Total mortgage portfolio (10)	\$ 1,138,167	\$ 961,794	\$ 862,326	\$ 733,360	\$ 640,406
<b>New Business Purchase and Financing Activities (2)</b>					
New business purchases	\$ 475,091	\$ 207,423	\$ 272,472	\$ 288,338	\$ 121,490
Number of new business purchases (# of loans)	2,892,508	1,465,280	2,058,330	2,396,651	1,085,046
PC issuances	\$ 389,611	\$ 166,901	\$ 233,031	\$ 250,564	\$ 114,258
Structured securitizations (11)	\$ 192,437	\$ 48,202	\$ 119,565	\$ 135,162	\$ 84,366
<b>Income Statement (4)</b>					
Total revenues	\$ 7,365	\$ 4,457	\$ 4,055	\$ 3,337	\$ 3,029
Net income	\$ 4,147	\$ 2,547	\$ 2,223	\$ 1,700	\$ 1,395
Earnings per common share — diluted (12)	\$ 5.64	\$ 3.40	\$ 2.96	\$ 2.31	\$ 1.88
Dividends per common share	\$ 0.80	\$ 0.68	\$ 0.60	\$ 0.48	\$ 0.40
<b>Ratios (2)</b>					
Dividend payout ratio on common stock (13)	14.6%	20.0%	20.1%	20.7%	21.1%
Return on common equity (14)	39.2%	23.7%	25.5%	24.1%	23.3%
Return on total equity (15)	29.2%	20.2%	20.3%	19.4%	19.5%
Return on average assets (16)	0.8%	0.6%	0.6%	0.7%	0.8%
Capital to total assets ratio (17)	1.3%	1.3%	1.4%	1.3%	1.1%
Equity to assets ratio (18)	2.6%	3.0%	3.2%	3.6%	3.9%
Ratio of earnings to fixed charges (19)	1.22:1	1.14:1	1.16:1	1.16:1	1.17:1
Ratio of earnings to combined fixed charges and preferred stock dividends (19)	1.20:1	1.13:1	1.14:1	1.15:1	1.16:1

- 
- (1) Based on Freddie Mac's supplemental performance measure. See "OPERATING EARNINGS" for more information.
  - (2) This financial information is unaudited.
  - (3) Annual computations reflect the simple average of quarterly returns. Quarterly returns are computed as annualized operating net income less preferred stock dividends divided by average realized common stockholders' equity (common stockholders' equity excluding "Accumulated Other Comprehensive Income, Net of Taxes" ("AOCI")).
  - (4) Based on generally accepted accounting principles in the U.S. ("GAAP").
  - (5) Excludes "Reserve for losses on Mortgage Participation Certificates" and "Subordinated borrowings."
  - (6) "Stockholders' equity" excluding AOCI.
  - (7) "Reserve for losses on retained mortgages" plus the "Reserve for losses on Mortgage Participation Certificates."
  - (8) The retained portfolio represents mortgages and mortgage-related securities that are held as on-balance sheet assets that Freddie Mac has financed principally with debt securities. This balance excludes related premiums, discounts and deferred fees, reserve for losses on retained mortgages and net unrealized gain (loss) on available-for-sale guaranteed mortgage securities.
  - (9) Includes all mortgages securitized into PCs including PCs in the "Retained portfolio."
  - (10) Includes "Total PCs" and non-Freddie Mac securities in the retained portfolio.
  - (11) Includes issuances of mortgage-related securities in which the cash flows are structured into various classes having a variety of features, the majority of which qualify for treatment as Real Estate Mortgage Investment Conduits ("REMICs") under the Internal Revenue Code.
  - (12) "Earnings per common share-diluted" are computed based on the total of weighted average common shares outstanding and the effect of dilutive common equivalent shares outstanding.
  - (13) Annual computations reflect the simple average of quarterly ratios. Quarterly ratios are computed as dividends paid divided by "Net income available to common stockholders."
  - (14) Annual computations reflect the simple average of quarterly returns. Quarterly returns are computed as annualized "Net income available to common stockholders" divided by the simple average of the beginning and ending balances of "Stockholders' equity," net of preferred stock (at redemption value).
  - (15) Annual computations reflect the simple average of quarterly returns. Quarterly returns are computed as annualized "Net income" divided by the simple average of the beginning and ending balances of "Stockholders' equity."
  - (16) Annual computations reflect the simple average of quarterly returns. Quarterly returns are computed as annualized "Net income" divided by the simple average of the beginning and ending balances of "Total assets."
  - (17) Annual computations reflect the simple average of quarterly ratios. Quarterly ratios are computed as the "Core capital" divided by the sum of "Total assets" and "Total PCs" less PCs in the retained portfolio.
  - (18) Annual computations reflect the simple average of quarterly ratios. Quarterly ratios are computed as the simple average of the beginning and ending "Stockholders' equity" divided by the simple average of the beginning and ending "Total assets."
  - (19) Earnings consist of "Income before income taxes, extraordinary items and cumulative effect of change in accounting principle" plus fixed charges. Fixed charges include interest (including amounts capitalized) and the portion of net rental expense deemed representative of interest.

## Appendix I

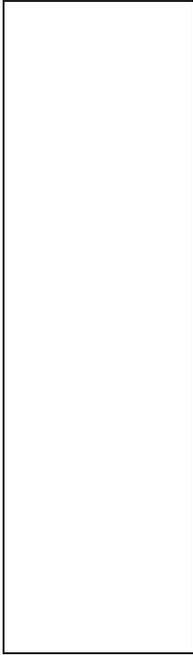
### Index of Terms

The following is a list of defined terms used in this Offering Circular and the pages where their definitions appear.

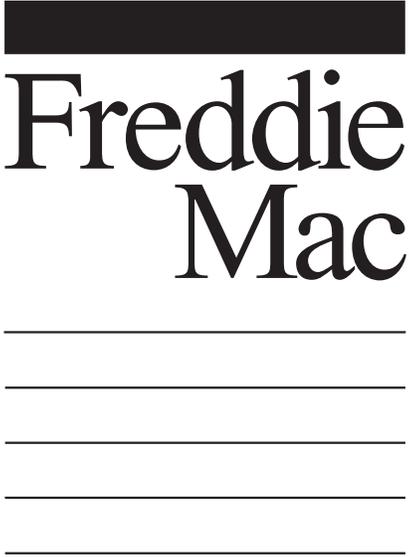
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**Federal Home Loan  
Mortgage Corporation**



***Offering Circular Supplement  
dated May 7, 2002  
to  
Offering Circular dated  
May 7, 2002***