Offering Circular dated January 18, 2001

Freddie Mac

Debentures
Medium-Term Notes
Discount Notes

Offered Securities:	Debentures, Medium-Term Notes and Discount Notes.
Reference Securities[SM]:	We may designate some Securities as Reference Securities[SM], which are regularly scheduled issues auctioned in large principal amounts.
Amount:	No prescribed limit.
Maturities:	One day or longer, but not more than one year in the case of Discount Notes.
Offering Terms:	We offer the Securities 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).

Consider carefully the risks involved in investing in the Securities. They 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. See *Risk Factors* 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 capitalized terms appear in this Offering Circular.

"Reference Securities" 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 June 25, 1999 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[SM] or Freddie Notes[SM]) and Discount Notes (including Reference Bills[SM]) and not to any other securities of Freddie Mac, including €Reference Securities[SM] or other securities offered under the Freddie Mac Global Debt Facility.

"Estate Notes," "Freddie Notes," "Reference Bills" and "€Reference Securities" are service marks of Freddie Mac.

TABLE OF CONTENTS

Description	Page
Summary	3
Available Information	7
Freddie Mac	8
Risk Factors	8
The Securities May Not Be Suitable For You	8
Structured Securities May Be Complex and Involve Greater Risks	9
Various Factors Could Adversely Affect the Trading Value and Yield of Your Securities	9
Exchange Rate Risks and Exchange Controls May Affect the Timing or Amount of Interest and Principal Paid on Your Securities	13
Legal Investment Considerations May Restrict Certain Investors	13
Credit Ratings May Not Reflect All Risks	13
Description of the Securities	14
General	14
Debentures and Medium-Term Notes	14
Discount Notes	22
Corrections	22
Business Day Convention	23
Form and Denominations	23
Holders	24
Payment Procedures	24
Repurchases	24
The Agreements	24
Binding Effect of the Agreements	24
Various Matters Regarding Freddie Mac	25
Events of Default	25
Rights Upon Event of Default—Debentures and Medium-Term Notes	25
Amendment	26
Securities Owned by Freddie Mac	27
Notice	27
Governing Law	27
Certain United States Federal Tax Consequences	27
U.S. Owners	28
Non-U.S. Owners	33
Information Reporting and Backup Withholding	35
Application of Proceeds	35
Legal Investment Considerations	35
Distribution Arrangements	36
Debentures and Medium-Term Notes	36
Discount Notes	37
General	37
Selling Restrictions	37
Legal Matters	37
Capitalization	38
Selected Financial Information	39
*Appendix I — Index of Terms	41

*We use capitalized 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. You should refer to the remainder of this Offering Circular and to any related Pricing Supplement for further information.

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

Securities Offered ..... Debentures, Medium-Term Notes and Discount Notes (the "Securities").

Legal Status ..... The Securities will be obligations of Freddie Mac only.

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 such terms, including but not limited to terms relating to priority or payment suspension, limitation or deferral (if any), as are set forth in the applicable Pricing Supplement ("Subordinated Securities").

Pricing Supplement ..... 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.

Debentures and Medium-Term Notes ..... A Debenture or Medium-Term Note will:

- pay principal in one or more of the following methods: (i) only at maturity, (ii) periodically until maturity or (iii) upon redemption or repayment before maturity;
- 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 ..... We will designate some Securities as Reference Securities, which are regularly scheduled issues auctioned in large principal amounts. For example, Reference Bills[SM] 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").

"Reference Bills" is a service mark of Freddie Mac.

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 listed on the New York Stock Exchange ("NYSE"); and
- 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 ("Clearstream"), 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 to the beneficial owner, will be responsible for establishing and maintaining accounts for their 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 January 18, 2001, between 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 January 18, 2001, between 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 as specified in the related Pricing Supplement, before their Maturity Dates. The Pricing Supplement for an issue of Debentures or Medium-Term Notes will say whether they are redeemable at our option or repayable at your option and will describe the terms and conditions of any redemption or repayment right.

Estate Notes or Freddie Notes	Medium-Term Notes that permit persons acting on behalf of deceased beneficial owners to require us to repay principal prior to their Maturity Date.
Payment Terms	The related Pricing Supplement will specify the payment terms of the Debentures and Medium-Term Notes.
Principal:	
Fixed Principal Repayment Amount	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.
Variable Principal Repayment Amount	A principal amount determined by reference to one or more interest rate or exchange rate indices or otherwise, payable on the applicable Maturity Date or date of redemption or repayment of a Debenture or Medium-Term Note.
Amortizing Principal Repayment Amounts	Amounts of periodic payments of principal made during the term of a Debenture or Medium-Term Note.
Interest:	
Fixed Rate	Debentures or Medium-Term Notes that bear interest at a single fixed rate.
Variable Rate	Debentures or Medium-Term Notes that have a variable interest rate determined on the basis of a direct or an inverse relationship to one or more specified indices.
Fixed/Variable Rate	Debentures or Medium-Term Notes that bear interest at a single fixed rate for one or more specified periods and at a variable rate determined by reference to one or more indices for one or more other specified periods.
Step	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 from the Securities are 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 intermedi-

	ary in the chain to the beneficial owner, will be responsible for remitting payments to their customers.
Denominations	The Securities will be issued and maintained in minimum principal amounts and additional increments of $1,000, unless otherwise indicated in the related Pricing Supplement.
Method of Distribution	In general, we will sell Debentures and Medium-Term Notes to one or more Dealers, acting as principals, that are named in the related Pricing Supplement. Alternatively, if we agree, certain Dealers will solicit purchases of Debentures and Medium-Term Notes on an agency basis. We may also 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 our audited consolidated financial statements ("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. 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 31, 2000 and our current Information Statement Supplement is dated November 14, 2000. 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 Freddie Mac disclosure documents by contacting us at:

Freddie Mac
Debt Securities Marketing Office
8200 Jones Branch Drive
McLean, Virginia 22102-3110
Telephone: 1-800-336-FMPC
(within Washington, D.C. metropolitan area: 703-903-3700)
E-mail: debt_securities@freddiemac.com

Freddie Mac disclosure documents and information regarding our publicly offered securities, including Offering Circulars and Pricing Supplements, are also available from our Internet Web-Site (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 (including mortgages on housing for low- and moderate-income families involving a reasonable economic return that may be less than the return earned on other activities); and
- to promote access to mortgage credit throughout the United States (including central cities, rural areas and underserved areas) by increasing the liquidity of mortgage investments and improving the distribution of investment capital available for residential mortgage financing.

To meet these statutory purposes, we purchase residential mortgages and mortgage-related securities from mortgage lenders, other mortgage sellers and securities dealers. We finance our purchases primarily by sales of 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. 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 and any periodic interest rate adjustments. 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 and interest rate scenarios.

Structured Securities May Be Complex and Involve Greater Risks

Historically, the large majority of the Debentures and Medium-Term Notes we issue have been conventional 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, 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 and political events. Certain interest rate, currency, swap, equity and other indices are 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 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 especially sensitive to interest rate or market risks or structured to meet the investment requirements of limited categories of investors; or
- if it develops, such a market 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 investors in Securities, especially to those investors who cannot hold their Securities until maturity. The market prices of instruments 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;
- 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. 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 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 may have the option to redeem certain Debentures and Medium-Term Notes after a specified date if so provided in the related Pricing Supplement. The redemption price typically is 100% of the principal amount plus any 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, such a Security's market price generally will not rise substantially above its redemption price during (and possibly before) any period when we may redeem the Security, 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 borrowing costs are relatively low and least likely to redeem them when prevailing interest rates and 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 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 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 these Securities are sold prior to maturity. This effect on market values is generally greater for instruments 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 that have 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. 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 in the case of Debentures and Medium-Term Notes providing for repayment of principal at one or more times prior to maturity. As a result, the effect on the yield you receive 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. This could affect your yield either adversely or positively.

The interest rate formula for a Variable Rate Debenture or Medium-Term Note may include a multiplier 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 interest rates and yields of any applicable Caps or Floors and of any delays in periodic interest rate adjustments. The market values of Variable Rate Debt Securities with Caps or Floors generally are more volatile than those of Variable Rate Debt Securities linked to the same applicable index without Caps or Floors, especially when the applicable index approaches or passes the Cap or Floor.

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 secondary market, if any, for the Components 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 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 Securities and may be revised or withdrawn by the rating agency.

DESCRIPTION OF THE SECURITIES

General

We will issue the Securities 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 Debt Securities Marketing Office 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 federal agency or instrumentality 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 "Risk Factors — Various Factors Could Adversely Affect the Trading Value and Yield of Your Securities — 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 indebtedness.

We may designate some Debentures and Medium-Term Notes as "Reference Securities," 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.

The Pricing Supplement will say 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, notice of optional redemption will be given to you not less than 5 Business Days nor more than 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, we will redeem a pro rata portion of each outstanding Debenture or Medium-Term Note of the affected issue.

Estate Notes or Freddie Notes are a type of repayable Medium-Term Note. 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 or Freddie Notes owned by one person or estate and the aggregate amount of repayments on an Estate Notes or Freddie Notes issue.

Interest Payments

The 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 and 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 Freddie Mac issues Securities to Holders or other date specified in the Pricing Supplement ("Issue Date") and (ii) to but excluding the next Interest Payment Date (each such period is an "Interest Payment Period"). No interest will accrue on the principal of any Debenture or Medium-Term Note on or after the date it is repaid.

Interest payments will be rounded to the nearest cent (with one-half cent being rounded upwards).

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 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.

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.

The Pricing Supplement will specify the accrual method (day count convention) for calculating interest on Variable Rate Debentures or Medium-Term Notes. It may use 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.

The Pricing Supplement will specify (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. 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 specified by the applicable accrual method.

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 *"Corrections"* below.

Information concerning the current interest rate will be available from us by contacting our Debt Securities Marketing Office 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, the following provisions will apply:

LIBOR, with respect to a Reset Date, will be (in the following order of priority):

(1) the rate that appears, 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 such rate does not so appear, then LIBOR will be the rate that appears, 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 such rate does not so appear, the Calculation Agent will request the principal London offices of 4 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 2 quotations are provided, LIBOR will be the arithmetic mean (if necessary rounded upwards) of such quotations;

(4) if fewer than 2 such quotations are so provided, the Calculation Agent will request 4 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, commencing on such 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 2 such quotations are provided, LIBOR will be the arithmetic mean (if necessary rounded upwards) of such quotations; and

(5) if fewer than 2 such quotations are so 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 such rate shall have been displayed on either the Designated Telerate Page or the Designated Reuters Page with respect to deposits commencing on the second London Banking Day following such date (and if such rate appears on both such screens on such London Banking Day, using the Designated Telerate Page).

"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 Bridge 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).

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).

"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 Bridge 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 — Interest — Fixed Rate Debentures and Medium-Term Notes"* as to such fixed rates and *"Description of the Securities — Variable Rate Debentures and Medium-Term Notes"* as to such 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 (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").

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.

Listed Debentures or Medium-Term Notes

Certain Debentures or Medium-Term Notes may be listed on the NYSE. Unless otherwise indicated in the related Pricing Supplement, they will clear and settle only through the DTC Book-Entry System.

Reopened Issues

We may "reopen" an issue at any time by offering additional Debentures or Medium-Term Notes with terms identical (other than issue date and issue price) to those of existing Debentures or Medium-Term Notes. The additional and existing Debentures or Medium-Term Notes will be consolidated and will form a single series.

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:

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

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 LIBOR with respect to a Reset Date is obtained from a Designated Telerate Page, that rate may be superseded only by a corrected rate for such Reset Date obtained from the same Designated Telerate Page. The Calculation Agent will use the corrected rate to determine the rate of interest payable on such Security as of the applicable Interest Payment Date.

Business Day Convention

If the specified date for a payment is not a Business Day, payment of interest or principal otherwise payable on such date will be made on the next Business Day. Except in the case of Discount Notes, no interest on a delayed payment will accrue for the period from such specified date to the date of payment.

"Business Day" means a day other than (a) a Saturday, (b) a Sunday, (c) as to any Securities on the Fed Book-Entry System, a day on which the FRBNY is closed, (d) 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, (e) as to any Securities on the DTC Book-Entry System, a day on which the Depository is closed, or (f) 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 agent 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 a Federal Reserve Bank 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 New York-chartered limited purpose trust company that performs 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 of a Security is not necessarily its beneficial owner. Beneficial owners ordinarily will hold Securities through one or more financial intermediaries, such as banks, brokerage firms and securities clearing organizations. For example, as an investor, you may hold a Security through a brokerage firm which, in turn, holds 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. The rights of the beneficial owner of a Security may be exercised 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 that is not 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 receiving 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.

Repurchases

We may purchase Securities at any time and at any price or prices in the open market or otherwise. Such Securities may be held, resold or cancelled by us.

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 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 pursuant to 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 Holders for any action taken or omitted in good faith pursuant to 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 control in any manner in the discharge of our responsibilities pursuant to 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 Holders. 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.

Events of Default for Subordinated Securities will be specified in the applicable Pricing Supplement.

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 balance 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 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.

The Holders of not less than 50% of the outstanding balance 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 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 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: Federal Home Loan Mortgage Corporation, 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 are to be interpreted in accordance with federal law. If there is no applicable federal 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 New York law will be deemed to reflect 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 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 31% 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 31% of 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.

Investors whose investment activities are subject to legal investment laws and regulations or to review by regulatory authorities may be subject to restrictions on investing in certain types of Securities generally. An institution 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 Underwriting Agreement as amended, supplemented or modified from time to time (the "Underwriting 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.

We intend to 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 Debt 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 Underwriting 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, which may be all or a portion of the discount to be received by such Dealer from us. 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, and such information will be included in the applicable Pricing Supplement. After the initial offering of any issue of Debentures or Medium-Term Notes, the offering price, 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. We will not pay a commission to any Dealer on any such sales.

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 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.

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 Debt Securities Marketing Office.

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 September 30, 2000. Dollars are in millions.

Debt Securities:	
Notes and bonds payable due within one year:	
Discount notes, medium-term notes and securities sold under agreements to repurchase	$153,122
Current portion of long-term debt	27,530
Notes and bonds payable due after one year	226,142
Total debt securities, net	406,794
Subordinated borrowings	142
Stockholders' equity	13,192
Total capitalization	$420,128

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. Accordingly, on any date subsequent to September 30, 2000, stockholders' equity may differ, and the amount of debt obligations outstanding will differ, and may differ substantially, from the figures contained in this capitalization table.

SELECTED FINANCIAL INFORMATION

The following selected financial data for the years 1995 through 1999 and for the nine-month periods ended September 30, 2000 and 1999 (which data are not covered by the independent auditors' report in the Information Statement) have been summarized or derived from our audited consolidated financial statements for 1995 through 1999 and from our unaudited consolidated financial statements for the nine month periods and other financial information for such periods. These data are unaudited and include, in the opinion of management, all adjustments (consisting of normal recurring accruals) necessary for a fair presentation. These data should be read in conjunction with the audited consolidated financial statements and notes to the financial statements contained in the Information Statement and unaudited consolidated financial statements in the most recent Information Statement Supplement incorporated herein by reference. Results of operations reported for interim periods are not necessarily indicative of results for the entire year.

(Dollars in millions, except per share amounts)

	Nine Months Ended September 30,		Year Ended December 31,				
	2000	1999	1999	1998	1997	1996	1995
Balance Sheet							
Retained portfolio, gross	$361,624	$ 315,968	$ 324,443	$ 255,009	$ 164,421	$ 137,755	$107,424
Total assets	$433,346	$ 364,885	$ 386,684	$ 321,421	$ 194,597	$ 173,866	$137,181
Debt securities, net	$406,794	$ 341,014	$ 360,581	$ 287,234	$ 172,321	$ 156,491	$119,328
Total liabilities[1]	$419,566	$ 353,191	$ 374,602	$ 309,978	$ 186,154	$ 166,271	$130,297
Capital base:							
Stockholders' equity	$ 13,192	$ 11,140	$ 11,525	$ 10,835	$ 7,521	$ 6,731	$ 5,863
Reserve for mortgage losses[2]	$ 780	$ 767	772	768	694	680	683
Primary capital base	$ 13,972	$ 11,907	12,297	11,603	8,215	7,411	6,546
Subordinated borrowings	$ 142	$ 132	130	162	521	490	633
Adjusted total capital base	$ 14,114	$ 12,039	$ 12,427	$ 11,765	$ 8,736	$ 7,901	$ 7,179
Total PCs	$790,891	$ 738,581	$ 749,081	$ 646,459	$ 579,385	$ 554,260	$515,051
Freddie Mac PCs held in retained portfolio	$231,649	$ 209,368	$ 211,198	$ 168,108	$ 103,400	$ 81,195	$ 56,006
Primary capital ratio[3]	1.41%	1.33%	1.33%	1.45%	1.23%	1.15%	1.10%
Adjusted total capital ratio[4]	1.42%	1.35%	1.34%	1.47%	1.30%	1.22%	1.20%
Total mortgage portfolio	$920,866	$ 845,181	$ 862,326	$ 733,360	$ 640,406	$ 610,820	$566,469
New Business Purchase and Financing Activities							
New business purchases	$137,035	$ 230,797	$ 272,472	$ 288,338	$ 121,490	$ 128,565	$ 98,386
Number of new business purchases (number of loans)	989,705	1,758,184	2,058,330	2,396,651	1,085,046	1,232,540	934,890
PC issuances	$110,187	$ 200,642	$ 233,031	$ 250,564	$ 114,258	$ 119,702	$ 85,877
Structured securitizations[5]	$ 34,271	$ 103,817	$ 119,565	$ 135,162	$ 84,366	$ 34,145	$ 15,372
Long-term debt:							
Issued	63,720	93,484	$ 113,600	$ 63,789	$ 35,091	$ 33,852	$ 29,643
Retired	(5,839)	(21,741)	(23,568)	(54,708)	(22,091)	(20,819)	(11,082)
Net	57,881	71,743	$ 90,032	$ 9,081	$ 13,000	$ 13,033	$ 18,561
Income Statement and Performance Ratios							
Net interest income on earning assets	$ 2,100	$ 1,876	$ 2,540	$ 1,927	$ 1,631	$ 1,542	$ 1,298
Management and guarantee income	$ 1,106	$ 1,043	$ 1,405	$ 1,307	$ 1,298	$ 1,249	$ 1,185
Total revenues	$ 3,298	$ 3,006	$ 4,055	$ 3,337	$ 3,029	$ 2,875	$ 2,541
Income before income taxes and extraordinary item	$ 2,610	$ 2,337	$ 3,161	$ 2,356	$ 1,964	$ 1,797	$ 1,586
Net income	$ 1,884	$ 1,629	$ 2,223	$ 1,700	$ 1,395	$ 1,243	$ 1,091
Earnings per common share:[6]							
Basic	$ 2.52	$ 2.18	$ 2.97	$ 2.32	$ 1.90	$ 1.65	$ 1.42
Diluted	$ 2.51	$ 2.17	$ 2.96	$ 2.31	$ 1.88	$ 1.63	$ 1.41
Weighted average common shares outstanding (in thousands):[6]							
Basic	693,984	695,867	696,042	679,790	684,937	709,453	721,288
Diluted	696,643	700,421	700,211	684,658	691,701	714,878	725,114
Dividends per common share	$ 0.51	$ 0.45	$ 0.60	$ 0.48	$ 0.40	$ 0.35	$ 0.30
Dividend payout ratio on common stock	20.30%	20.55%	20.14%	20.65%	21.08%	21.26%	21.09%
Return on common equity[7]	25.4%	25.0%	25.5%	24.1%	23.3%	22.2%	21.9%
Return on total equity[8]	20.7%	20.1%	20.3%	19.4%	19.5%	19.7%	19.7%
Return on average assets and contingencies[9]	0.26%	0.26%	0.26%	0.24%	0.21%	0.20%	0.20%
Ratio of earnings to fixed charges[10]	1.14:1	1.16:1	1.16:1	1.16:1	1.17:1	1.19:1	1.23:1
Ratio of earnings to combined fixed charges and preferred stock dividends[10]	1.13:1	1.15:1	1.14:1	1.15:1	1.16:1	1.18:1	1.22:1

(1) Excludes "Reserves for losses on mortgage participation certificates" and "Subordinated borrowings."
(2) "Reserve for losses on retained mortgages" plus "Reserve for losses on Mortgage Participation Certificates."
(3) "Primary capital base" divided by the sum of "Total assets" and "Total PCs" less "Freddie Mac PCs held in retained portfolio."
(4) "Adjusted total capital base" divided by the sum of "Total assets" and "Total PCs" less "Freddie Mac PCs held in retained portfolio."

(5) Includes issuances of mortgage-related securities in which the cashflows 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.
(6) "Earnings per common share-basic" are computed based on weighted average common shares outstanding. "Earnings per common share-diluted" are computed based on the total of weighted average common shares outstanding and the effect of dilutive common equivalent shares outstanding.
(7) Annual computation reflects the simple average of quarterly returns. Quarterly returns are computed as annualized "Net income" less preferred stock dividends divided by the simple average of the beginning and ending balances of "Stockholders' equity," net of preferred stock (at redemption value).
(8) Annual computation reflects the simple average of quarterly returns. Quarterly returns are computed as annualized "Net income" divided by the simple average of the beginning and ending balances of "Stockholders' equity."
(9) Annual computation reflects the simple average of quarterly returns. Quarterly returns are computed as annualized "Net income" divided by the simple average of the beginning and ending balances of "Total assets" and "Total PCs" less "Freddie Mac PCs held in retained portfolio."
(10) Earnings represent consolidated pre-tax income plus consolidated fixed charges, less interest capitalized. Fixed charges include interest (including amounts capitalized) and the portion of net rental expense deemed representative of interest.

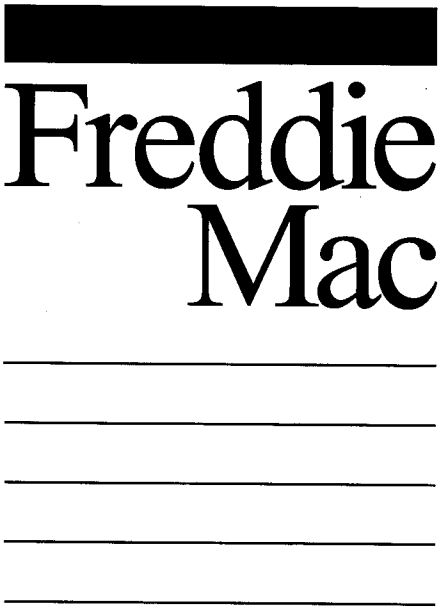
Appendix I

Index of Terms

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

adjusted issue price 29
Agreements 14
Amortizing Principal Repayment Amounts 5
amortizable bond premium 31
Book-Entry Rules 23
Business Day 23
Calculation Agent 16
Cap 9
Clearstream 4
Code 27
Component 21
CUSIP Number 23
Cut-off Date 21
Dealers 36
Debenture and Medium-Term Note Agreement 4
Debt Obligations 27
deleveraged 12
Deposits 17
Depository 4
Depository Participants 23
Designated Reuters Page 17
Designated Telerate Page 17
Discount Note Agreement 4
DTC Book-Entry System 4
Eligible Securities 21
Estate Notes 5
Event of Default 25
Fed Book-Entry System 3
Fed Participants 3
FRBNY 21
Fiscal Agency Agreement 23
Fixed Principal Repayment Amount 5
Floor 9
Freddie Mac 3
Freddie Mac Act 8
Fully Taxable Bonds 31
Holders 4
Index Currency 17
Index Maturity 18
Information Statement 7
Information Statement Supplement 7
Interest Component 21
Interest Payment Date 15
Interest Payment Period 15
Interest Reset Period 16
IRS 28
Issue Date 15
issue price 29
leveraged 12
LIBOR 17
LIBOR Determination Date 18
London Banking Day 18
market discount 31
Maturity Date 14
Multiplier 15
New York Banking Day 19
Non-U.S. Owner 28
NYSE 4

OID Debt Obligation 29
OID Regulations 29
Owner 28
Pricing Supplement 3
Prime Rate 18
Prime Rate Determination Date 19
Principal Component 21
Principal Financial Center 18
reconstitute 21
Reference Treasury Bill Auction 19
Regulations 28
Representative Amount 18
Reset Date 16
Reuters USPRIME1 Page 19
Securities 3
Senior Obligations 10
Short-Term Debt Obligation 30
Spread 15
Step Debt Obligations 29
stripped 13
Subordinated Securities 3
Telerate Page 38 19
Treasury Bills 19
Treasury Department 19
Treasury Rate 19
U.S. Owner 28
U.S. Person 28
Underwriting Agreement 36
Variable Principal Repayment Amount 5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