

**BUSINESS AND RISK COMMITTEE
OF THE BOARD OF DIRECTORS
OF THE
FEDERAL HOME LOAN MORTGAGE CORPORATION**

Adopted by the Board of Directors on March 18, 2011

Organization, Membership Requirements and Committee Processes

The Business and Risk Committee (the "Committee") of the Board of Directors (the "Board") of the Federal Home Loan Mortgage Corporation ("Freddie Mac") shall consist of at least three members initially appointed by the Federal Housing Finance Agency as Conservator of Freddie Mac (the "Conservator") and thereafter appointed by the Board, following notice to the Conservator. One member of the Committee shall initially be designated by the Conservator as the Chairman of the Committee and thereafter one member shall be designated by the Board as the Chairman of the Committee.

The Committee Chairman shall report regularly to the Board on the Committee's activities and minutes of the Committee's meetings shall be submitted to the Board.

The members of the Committee shall have access to any employee of Freddie Mac. The Committee may engage such outside consultants or advisors including, but not limited to, investment bankers, mortgage bankers, financial advisors and management consultants, as it may deem appropriate to fulfill its responsibilities. The engagement of such consultants and advisors shall be subject to the approval of the Board and, to the extent set forth in paragraph 12, the Conservator. Freddie Mac shall provide appropriate funding for the retention of any such consultants or advisors and for other necessary and appropriate administrative expenses of the Committee, all as determined by the Committee.

To the extent consistent with applicable laws, regulations, listing standards and conservatorship orders, the Committee responsibilities listed below may, in the alternative, be satisfied by actions of the full Board or by another Board committee acting at the direction of the Board or the Board's Chairman.

Definitions

For the purposes of this Charter,

- (1) "Board Delegations" means resolutions issued by the Board delegating to Freddie Mac's senior management the authority to enter into transactions involving: (i) the purchase or sale of Mortgages or Mortgage-Related Securities; (ii) Funding activities and Investment Operations; and (iii) such other contracts as may be authorized by the Board from time to time.
- (2) "Debt Obligations" means notes, debentures, bonds and other debt obligations of Freddie Mac.

- (3) "Funding" means Freddie Mac's issuance, sale and repurchase of Debt Obligations and Mortgage-Related Securities;
- (4) "Investment Operations" means Freddie Mac's funding, investment and hedging activities associated with its retained and sold portfolios, credit risk arising from the guarantee portfolio, and mortgage and non-mortgage investment portfolios;
- (5) "Management Reports" means written or verbal reports or other information provided to the Committee by management, to inform and assist the Committee and/or the Board in the fulfillment of their duties and responsibilities.
- (6) "Mortgage" means any residential mortgage (including interests therein) that Freddie Mac is, or becomes, authorized to purchase or has purchased under the Federal Home Loan Mortgage Corporation Act and that is secured by a property comprising one to four family dwelling units (a "Single Family Mortgage") or by a property comprising five or more family dwelling units (a "Multifamily Mortgage");
- (7) "Mortgage Purchase" means a transaction in which Freddie Mac acquires, for cash or in exchange for Mortgage-Related Securities, (a) one or more Mortgages or (b) Mortgage-Related Securities that are not guaranteed by the Federal government or by a government-sponsored enterprise.
- (8) "Mortgage-Related Securities" means any securities (whether the securities are single-class or multiclass and whether or not the securities represent evidence of indebtedness) of Freddie Mac, that are secured by, or the payments on which are either derived from or determined wholly or in substantial part by reference to payments on, specified Mortgages or specified other Mortgage-Related Securities. Examples of Mortgage-Related Securities include, but are not limited to:
 - Mortgage Participation Certificates;
 - Giant Mortgage Participation Certificates;
 - Structured Pass-Through Certificates;
 - Multiclass Mortgage Participation Certificates;
 - Funding Note Pass-Through Certificates;
 - Multifamily Variable Rate Certificates;
 - Collateralized Mortgage Obligations;
 - Mortgage Cash Flow Obligations; and
 - Commercial mortgage-backed securities similar to those heretofore created, issued, guaranteed, sold, exchanged, retained, purchased, repurchased and/or resold by Freddie Mac.

Purposes, Powers, Duties and Responsibilities of the Committee

The Committee is charged by the Board with the authority and responsibilities set forth below:

1. **Mission:** Freddie Mac's mission (referred to below as the "Mission") is to provide stability in the secondary market for residential mortgages, to increase the liquidity of mortgage investments and improve the distribution of investment capital available for residential mortgage financing and to facilitate the financing of affordable housing for low- and moderate-income families. The Committee will review (including review of relevant Management Reports) those aspects of Freddie Mac's performance of its Mission in connection with Freddie Mac's activities that relate to affordable housing and housing goals, including:
 - (a) Freddie Mac's strategies and policies, including annual plans, with respect to Mortgage Purchases that facilitate the financing of affordable housing in a safe and sound manner as well as in a manner consistent with Freddie Mac's overall public purposes; and
 - (b) The results of such strategies and policies. With respect to affordable housing strategies, results will be measured in part by Freddie Mac's performance relative to the affordable housing goals (including whether Freddie Mac's performance under the single-family housing goals meets or exceeds the share of the market for the respective single-family goal) and the duty to serve underserved markets, which are monitored for compliance by FHFA.
2. **Mortgage Purchases:** The Committee will review (including review of relevant Management Reports) Freddie Mac's Mortgage sourcing and purchasing activities, including:
 - (a) Freddie Mac's strategies and policies (other than strategies and policies covered by Paragraph 9) with respect:
 - (i) Mortgage Purchases;
 - (ii) Performing loan servicing; and
 - (iii) Servicing of non-performing loans, including foreclosures, workouts and similar activities to mitigate foreclosure losses, and management and sale of properties owned by Freddie Mac as a result of foreclosures;
 - (b) The results of the strategies and policies identified in Paragraph 2(a), including the profitability of Freddie Mac's Mortgage Purchase activities;
 - (c) Short and long-term plans relating to Mortgage Purchase activities;
 - (d) The annual adjustment of the limitations in the Federal Home Loan Mortgage Corporation Act on the principal amounts of the Single-Family Mortgages that Freddie Mac is authorized to purchase; and

- (e) The status, at least quarterly, of Freddie Mac's relationships with its most significant single-family and multifamily customers; and the terms under which Freddie Mac is conducting business with such customers.
3. Investment Operations: The Committee will review (including review of relevant Management Reports) Investment Operations, including:
- (a) Freddie Mac's investment, credit and liquidity strategies and activities, and the results of those strategies and activities (including the profitability thereof);
 - (b) The profitability of, and capital allocations to, Investment Operations;
 - (c) The techniques employed by Freddie Mac to:
 - (i) Manage the Investment Operations;
 - (ii) Fund the acquisition of assets for Investment Operations; and
 - (iii) Adjust the composition and characteristics of these assets and related liabilities from time to time to mitigate Freddie Mac's risk exposures; and
 - (d) Freddie Mac's strategy and business plan associated with Investment Operations.
4. Funding Activities: The Committee will review (including review of relevant Management Reports) Freddie Mac's Funding activities, including:
- (a) With respect to Debt Obligations:
 - (i) Debt Obligation strategies, policies, programs, products and enhancements thereto, and related marketing activities;
 - (ii) The performance of Debt Obligations against appropriate benchmarks;
 - (iii) Freddie Mac's competitive position in, and the liquidity of, the markets for its Debt Obligation; and
 - (iv) The profitability of Debt Obligation activities; and
 - (b) With respect to the issuance of Mortgage-Related Securities:
 - (i) Freddie Mac's strategies, policies, and related marketing activities with respect to Mortgage-Related Securities;
 - (ii) The performance of Mortgage-Related Securities;
 - (iii) Freddie Mac's competitive position in, and the liquidity of, the markets for its Mortgage-Related Securities;

- (iv) The profitability of Mortgage-Related Securities activities; and
- (v) The impact of proposed changes in strategies and policies with respect to Mortgage-Related Securities on the Corporation's acquisition of Mortgages.

5. New Products and BI Matters:

- (a) **New Products.** Prior to submission by management of a request to the Federal Housing Finance Agency ("FHFA") for approval of a new product under 12 U.S.C. § 4541, the Committee will review a report concerning the new product proposal. Such review also will satisfy the requirement for Committee review of the proposal as a BI matter under subparagraph 5(b).
- (b) **BI Matters.** The Committee will review reports on activities, initiatives, issues, transactions, changes and exceptions to policies and procedures, and strategies or other matters that are considered by management for assessment under the corporate new business initiatives policy ("BI matters") and that have been approved by management. The Committee will review a report by management on any such BI matter at the next regularly scheduled meeting of the Committee following management's approval of the matter. If, in the judgment of the Chief Executive Officer, implementation of the BI matter will involve a material increase in credit, market or operational risk, the Committee will review the report prior to implementation.

6. Transaction Reporting:

- (a) **Major Mortgage Purchases:** The Committee will review (including review of relevant Management Reports) major Mortgage Purchase transactions, including review, at least quarterly, of reports of the following transactions that have been completed since the previous such report:
 - (i) Single-Family Mortgage Purchase transactions or business arrangements that exceed \$5 billion; and
 - (ii) The following Multifamily Mortgage Purchase transactions:
 - The five largest such transactions by principal amount of Mortgages to be purchased; and
 - The five largest such transactions by capital allocated to the transaction.
- (b) **Major Mortgage-Related Securities Transactions:** The Committee will review (including review of relevant Management Reports) major Mortgage-Related Securities transactions, including review, at least quarterly, of reports of any single transaction involving Mortgage-Related Securities having an aggregate principal amount greater than \$5 billion (other than transactions consisting of the issuance of Giant Mortgage Participation Certificates or the issuance of Mortgage Participation

Certificates in exchange for the underlying Mortgages) that has been completed since the previous such report.

7. Transaction Approval: Prior to Freddie Mac entering into a transaction exceeding the authority granted under the Board Delegations, the Committee will review (including review of relevant Management Reports) and, if appropriate, approve or refer to the Board, such transaction for final action. Transactions may also be referred to the Board for final action by (a) the Committee if, in the reasonable business judgment of the Committee, such transaction is likely to cause significant reputation risk, or involve increases in risk limits or involve reasonably foreseeable material increases in operational risk; or (b) the Non-Executive Chairman of the Board.
8. Business Plan: The Committee will review (including review of relevant Management Reports) the content and implementation of Freddie Mac's management plan for managing its single-family, multifamily and investments businesses, including relevant financial and capital management (the "Business Plan"), including:
 - (a) Approving or recommending for approval to the Board, as determined by the Non-Executive Chairman, the Business Plan established by management, including the management performance targets set forth therein; and
 - (b) reviewing Freddie Mac's business performance against the Business Plan, including performance measures.
9. Risk: The Committee will assist the Board in the oversight, on an enterprise-wide basis, of Freddie Mac's risk management framework, including management of credit risk (including counterparty risk), market risk (including interest rate and liquidity risk), model risk, operational risk, strategic risk and reputation risk (collectively "risk"), by:
 - (a) Approving policies relating to enterprise risk management strategies and governance, including risk limits or metrics embedded in such policies, and reviewing Management Reports on compliance with, and, as necessary, any material changes or exceptions to, such policies, limits and metrics;
 - (b) Reviewing (including review of relevant Management Reports) management's strategies, policies and performance with respect to enterprise risk management, including reviewing major changes in management policies on the purchase, underwriting, sale or other disposition of Mortgages as they relate to credit, interest rate or operational risk;
 - (c) Approving Freddie Mac's risk management framework designed to manage its operational risk exposures and comply with regulatory requirements related to operational risk management;
 - (d) Reviewing (including review of relevant Management Reports) major enterprise risk exposures and controls and assessments of such exposures and controls, and,

- where appropriate, management oversight responsibility for such exposures and controls;
- (e) Reviewing (including review of relevant Management Reports) capabilities for, and the adequacy of resources allocated to, enterprise risk management, including staffing, programs (including corporate-wide training and communication programs) and the appropriateness, reliability and completeness of the risk management systems and processes employed by management to identify, measure, manage and control such risks;
 - (f) Reviewing reports on material regulatory requirements relating to enterprise risk management and regulatory assessments thereof; and
 - (g) Reviewing (including by assessment of people, products, technology, processes and capabilities) changes to key business practices that, in the judgment of the Chief Enterprise Risk Officer, have significantly altered the enterprise risk profile.
10. Technology and Operations: The Committee will review (including review of relevant Management Reports) the application of technology applicable to Freddie Mac's businesses and of operations, including but not limited to:
- (a) Review of Freddie Mac's plans concerning such technology to ensure alignment with Freddie Mac's business and strategic objectives;
 - (b) Review of periodic reports concerning the status of activities to develop and implement new or redesigned business processes and systems applicable to Freddie Mac's business lines, including technology-related initiatives, as well as the achievement of benefits that are planned as a result of investments in such technology;
 - (c) Review of the state of Freddie Mac's technological capabilities applicable to its business operations and management's plans to address major risks, gaps or other issues; and
11. Committee Operations and Charter: At least annually, the Committee will:
- (a) review, under the oversight of the Nominating and Governance Committee, this Committee's performance, including review of its structure and operations (including authority to delegate to subcommittees); its process for reporting to the Board; and the process for determining the membership of the Committee (including qualifications for Committee membership); and
 - (b) review and reassess, at least annually, the adequacy of the Committee's Charter and recommend for approval by the Board any changes that it deems appropriate.
12. Other Duties: The Committee will perform such other duties as may be assigned from time to time by the Board or as requested by the Non-Executive Chairman.

13. FHFA Approval: Notwithstanding anything set forth above, by direction of the Conservator, prior approval by the Conservator shall be required for any committee actions involving:
- (a) Retention and termination of any law firm serving as a consultant to the Committee or the Board;
 - (b) Creation of any subsidiary or affiliate or any substantial transaction between Freddie Mac and any of its subsidiaries or affiliates, except for transactions undertaken in the ordinary course (e.g., the creation of a trust, REMIC, REIT or similar vehicle);
 - (c) Matters that relate to conservatorship (including repudiation of contracts, qualified financial contracts in dispute due to conservatorship status, and counterparties attempting to nullify or amend contracts due to conservatorship status);
 - (d) Any merger with or purchase or acquisition of a business involving consideration in excess of \$50 million; or
 - (e) Actions involving increases in risk limits or reasonably foreseeable material increases in operational risk.

Also notwithstanding anything set forth above, any proposed Committee actions that in the reasonable business judgment of the Committee are likely to cause significant reputation risk shall be referred to the Board for final action in light of the requirement that the Conservator approve any actions that in the reasonable business judgment of the Board at the time that the action is taken are likely to cause such risk.