

REPORT OF THE CHRC

The CHRC has reviewed and discussed the Compensation Discussion and Analysis with management and, based on such review and discussion, has recommended that the Compensation Discussion and Analysis be included in this Proxy Statement.

This report is respectfully submitted by the members of the Compensation and Human Resources Committee of the Board.

Geoffrey T. Boisi, *Chairman*
Barbara T. Alexander
Michelle Engler
Thomas S. Johnson
Shaun F. O'Malley

COMPENSATION DISCUSSION AND ANALYSIS

This discussion addresses our compensation objectives and policies applicable to the executive officers named in the Summary Compensation Table appearing under “Executive Compensation — Compensation Tables” below, otherwise referred to as our “named executive officers.” To the extent that we may modify these objectives and policies in the future to reflect changing circumstances, the information contained in this discussion may change accordingly. The following discussion and analysis contains statements regarding future individual and company performance targets and goals. These targets and goals are disclosed in the limited context of Freddie Mac’s compensation programs and should not be construed as statements of management’s expectations or estimates of results or other guidance. Freddie Mac cautions investors not to apply these statements to other contexts.

Compensation Philosophy and Objectives

The principal objectives of our compensation program for our named executive officers are to attract and retain high caliber executives, to motivate the executives to work effectively to achieve annual and long-term corporate and individual objectives that are aligned with the interests of our stockholders and other critical constituencies and, based on our pay-for-performance philosophy, to reward the executives when those objectives are met or exceeded.

In addition to individual performance and a review of compensation against the market, in determining named executive officer compensation we consider the following:

- Potential — The named executive officer’s ability to assume greater responsibility and leadership roles.
- Ease of Replacement/Retention Risk — The availability of qualified candidates inside the company, the strength of the external labor pool and the risk that competitors may target the named executive officer.
- Strategic Impact — The named executive officer’s short-, medium-, and long-term contributions and strategic impact on our performance.

Compensation Discussion and Analysis

Achieving our compensation objectives requires the CHRC and management to exercise significant judgment. As a starting point for this exercise of judgment, we generally establish a target total direct compensation level for each named executive officer. For these purposes, “total direct compensation” consists of base salary, target annual bonus, and target annual long-term equity award.

While the majority of our officers are not covered by employment agreements, certain of the employment agreements or offer letters applicable to the named executive officers provide certain contractual protections, such as guaranteed base salary levels, guaranteed incentive payments in certain situations, and special termination benefits. Since 2003, when we announced the need to restate our financial results for 2000 through 2002 (the “restatement”), we have been engaged in a process of restructuring through changes affecting, among other things, governance, corporate culture, internal controls, accounting practices and disclosure. With the exception of Mr. May, all of our named executive officers have been hired since the commencement of that process. As is typical in such periods of transition, uncertainties amongst executive officers are greater than they otherwise would be. We believe the contractual protections provided are necessary to recruit and retain the exceptional leaders we need to complete the restructuring process and position us for the future.

On November 9, 2007, we entered into an amendment to Mr. Syron’s December 6, 2003 employment agreement that extends the term of his employment agreement through December 31, 2009 under revised compensation terms. We believe the compensation provided under Mr. Syron’s extension agreement is reasonable and comparable to the compensation practices of companies in our Comparator Group, structured to be consistent with our pay-for-performance philosophy, and justified by Mr. Syron’s performance. We believe it was important to secure Mr. Syron’s commitment to stay an extra year so as to enable Freddie Mac to continue its progress towards accomplishing significant initiatives and provide the Board with sufficient time to focus on succession planning and transition processes. The CHRC also approved a special, one-time cash performance award opportunity for Mr. Syron to provide additional incentive for the completion of key tasks through September 30, 2009. We believe that this award is consistent with our pay-for-performance philosophy, which requires the demonstration and evaluation of performance prior to payment. For more information on Mr. Syron’s extension agreement, see “Employment and Separation Agreements — *Richard F. Syron*” below. For more information on the parameters of Mr. Syron’s special performance award, see “Compensation Structure — *Chief Executive Officer Special Performance Award Opportunity*” below. See also our website at www.freddiemac.com/governance/compensation.html, where Mr. Syron’s extension agreement is posted.

Role of Executive Officers and the Compensation Consultant

The CHRC, with input from other non-employee directors, annually reviews and approves the compensation of our Chief Executive Officer and our other executive officers. When possible, including in 2007, management provides competitive market data and otherwise begins discussions concerning executive compensation with the CHRC at least one meeting in advance of the meeting at which the CHRC makes its annual executive compensation decisions. For executive officers other than the Chief Executive Officer, the Chief Executive Officer, working with the Executive Vice President — Human Resources and Corporate Services (the “EVP — Human Resources”), makes recommendations to the CHRC regarding executive compensation actions. The CHRC Chair,

with the support of Hewitt and the EVP — Human Resources, as appropriate, prepares a recommendation regarding compensation of the Chief Executive Officer for the CHRC’s approval. The CHRC approves salary adjustments, annual bonus payments and targets, and long-term equity awards and targets after reviewing these recommendations.

To assist the CHRC in carrying out its responsibilities, the CHRC has retained and is assisted by Hewitt, a global human resources consulting firm that provides executive compensation consulting to many Fortune 100 companies and has advised our Board on compensation matters since 1990. Hewitt may provide services directly to the CHRC or, depending on the project, work with the EVP — Human Resources and his staff to provide information and materials to the CHRC with respect to its executive compensation responsibilities. Although most such materials are prepared by employees of the company, all such materials are reviewed by Hewitt. Hewitt also assists in preparing some materials. The CHRC generally works with Hewitt together with management. On occasion, the Chairman of the CHRC works directly with Hewitt without the involvement of management. The EVP — Human Resources is management’s primary contact with Hewitt and is responsible for assisting Hewitt in carrying out its assignments for the CHRC, but, as necessary and appropriate, Hewitt may communicate with other executive officers and with governance attorneys in the company’s Legal Division in carrying out executive compensation projects.

Hewitt’s role is to assist the CHRC in discharging its responsibilities with respect to its oversight of compensation and benefits, which includes apprising the CHRC of best practices as well as emerging compensation trends and issues, including compensation governance. In its capacity as a consultant to management, Hewitt will also help management identify acceptable approaches to ensure that compensation continues to clearly link to short- and long-term performance. In its capacity as a consultant to the CHRC and the GNROC, Hewitt provides the following services to the CHRC and, for non-employee director compensation, the GNROC, as applicable:

- independent advice and market data to CHRC members on executive compensation and benefit matters, to ensure alignment with our business and strategic objectives, our pay philosophy, and prevailing market and governance practices;
- review of committee meeting materials, attending committee meetings, and responding to questions which may arise;
- review of portions of our draft annual proxy statement relating to executive compensation, including the Compensation Discussion and Analysis; and
- independent advice and market data to the GNROC on non-employee director compensation.

In addition, on an ad-hoc basis, the CHRC or the Board may engage Hewitt for special projects. Hewitt also is expected to attend meetings the CHRC deems appropriate throughout the course of the year and to remain available for consultation with the CHRC Chair and management.

During 2007, Hewitt’s primary consultant for the CHRC attended (either in person or via telephone) or made himself available to participate in every CHRC meeting. Additionally, the CHRC has set aside time at its meetings to meet with Hewitt in executive session without management present in order to discuss any executive compensation questions, comments or concerns.