PROPOSAL 3: APPROVAL OF AMENDED AND RESTATED 2004 STOCK COMPENSATION PLAN

General

You are being asked to approve the amended and restated Federal Home Loan Mortgage Corporation 2004 Stock Compensation Plan, or 2004 Employee Plan to increase the number of shares authorized for issuance under the 2004 Employee Plan by 15,000,000. Our Board approved the amended and restated 2004 Employee Plan on March 7, 2008, subject to stockholder approval. Stockholders initially approved the 2004 Employee Plan in 2004, and we have used the 2004 Employee Plan as our sole plan for grants of equity awards to employees since that time. The proposed amendment and restatement would also make a number of changes to the 2004 Employee Plan that are discussed below.

Currently, the shares remaining available for future awards under the 2004 Employee Plan are insufficient to meet our long-term incentive needs. The company estimates that the additional 15,000,000 shares will be sufficient to make awards under the 2004 Employee Plan for approximately the next four years.

The company believes that its future success depends heavily on its ability to attract, motivate and retain the highest caliber employees. Equity is a key component of Freddie Mac's total compensation package and closely aligns the interests of key employees with those of the company's stockholders. Given current compensation practice in the financial services industry, the company believes it would be unable to compete effectively for critical employees absent sufficient equity incentives without significantly increasing Freddie Mac's cash compensation costs.

Information on the total number of shares available under our existing equity compensation plans and subject to outstanding options, warrants and rights as of December 31, 2007 is presented below under the caption "Securities Authorized for Issuance under Equity Compensation Plans." Based on outstanding awards at March 31, 2008 under our current equity award plans for employees and non-employee directors currently in effect, but excluding our ESPP, if stockholders approve the amended and restated 2004 Employee Plan, the shares subject to outstanding awards (including restricted stock, which shares are treated as already outstanding) and shares available for future issuance under all continuing equity compensation plans, including the additional shares to be reserved under the amended and restated 2004 Employee Plan, would be as follows:

Shares subject to outstanding awards	11,989,097
Shares available for future equity awards	22,453,618
Total shares	34,442,715
Percentage of outstanding shares*	5.33%

* Shares outstanding includes all common stock issued and outstanding at March 31, 2008, without giving effect to issuance of unissued shares reserved under the equity award plans or deliverable in the future in connection with outstanding awards.

The Board and the CHRC believe that attracting and retaining executives and other key employees of high quality has been and will continue to be essential to our growth and success. As it has in the past four years, the 2004 Employee Plan should enable us to implement a compensation program with different types of incentives for motivating leaders and key employees and encouraging them to provide long-term service. In particular, we intend to continue using awards of stock-based compensation as an important element of compensation, because such awards enable employees to acquire or increase their proprietary interest in Freddie Mac, thereby aligning interests between employees and our stockholders. In addition, the amended and restated 2004 Employee Plan will authorize stock-based and cash-based incentive awards by which we can tie employee compensation to measures of our performance so as to provide our employees with incentives to achieve excellent performance.

The amended and restated 2004 Employee Plan will authorize a broad range of awards, including:

- options;
- stock appreciation rights, or SARs;
- restricted stock, which is an award of actual shares subject to a risk of forfeiture and restrictions on transfer;
- deferred stock, including RSUs which are, in effect, forfeitable deferred stock;
- other awards based on our common stock;
- dividend equivalents;
- stock-based performance awards, which are, in effect, deferred stock awards that may be earned by achieving specific performance objectives; and
- cash-based performance awards which may be earned by achieving specific performance objectives.

Changes in the Amended and Restated 2004 Employee Plan

The amendment and restatement of the 2004 Employee Plan will make these significant changes to the current 2004 Employee Plan:

- Increase the shares reserved by 15 million shares (2.32% of the currently outstanding shares);
- Eliminate the current 50% cap on the number of shares that can be delivered under the 2004 Employee Plan in the form of restricted stock and other non-stock option/non-SAR awards;
- Authorize incentive awards in the form of cash rather than stock, subject to an annual per-person limit of $8 million plus any unused portion of the participant's cash limit from prior years;
- Specify that the qualifications of the members of the CHRC or other committee administering the 2004 Employee Plan will be specified in the Committee's charter rather than in the 2004 Employee Plan;
- Require separate stockholder approval of:
  - Transfers of awards to third parties for value; and
  - A cash buyout of underwater options, which would be treated like other "repricing" events under the 2004 Employee Plan;
- Clarify that, because shares count against the number reserved under the 2004 Employee Plan when delivered to the participant and not if withheld for taxes or to pay an exercise

price, the CHRC can determine the number of shares expected to be delivered under outstanding awards in calculating the number of shares available for future awards;

- Increase the portion of deferred stock and other non-option/non-SAR awards that may be granted with a minimum vesting period of one year rather than three years from the current level of 5% to 15%;
- Add regulatory compliance provisions, including for purposes of:
  - Compliance with Code Section 409A, which potentially imposes early taxation, tax penalties and interest on participants if we grant an award providing for payment in a future year without meeting technical requirements of Section 409A. This includes deletion of a feature permitting participants to elect to defer receipt of shares acquired upon exercise of options, which is impractical under Section 409A; and
  - Compliance with requirements under accounting standard FAS 123R, to control the expense from stock-based awards in case of adjustments to awards resulting from equity restructuring transactions, and to permit cash settlements of share-based awards where the accounting consequences have been reviewed and considered; and
- Make explicit that an optionee's right to compensation for options cancelled in a merger is based on the intrinsic (*i.e.*, in-the-money) value of the award and not a greater fair value based on the remaining life of the option.

Reasons for Stockholder Approval

The Board seeks stockholder approval of the amended and restated 2004 Employee Plan in order to satisfy certain legal requirements, including requirements of the NYSE. In addition, we seek stockholder approval so that designated stock options can qualify as incentive stock options under the Code, which gives the holder of those options more favorable tax treatment. Finally, we regard stockholder approval of the amended and restated 2004 Employee Plan and its material terms, including the business criteria that may be used in setting performance goals for awards under the 2004 Employee Plan, as desirable and consistent with corporate governance best practices. We have not in the past granted equity awards except under plans approved by our stockholders.

Restriction on Repricing

Without stockholder approval, we will not amend or replace previously granted options in a transaction that constitutes a "repricing." For this purpose, "repricing" means:

- lowering the exercise price of an option or grant price of a SAR after it is granted;
- canceling an option or SAR at a time when its exercise price or grant price exceeds the fair market value of the underlying stock, in exchange for another option, SAR, award of restricted stock, other equity, or cash, unless the cancellation and exchange occurs in connection with a merger, acquisition, spin-off or other similar corporate transaction;
- any other action that is treated as a repricing under GAAP; or
- any other action that has the same effect.

An adjustment to an exercise price or other price specified in an award resulting from a stock split, equity restructuring or other extraordinary corporate transaction would not constitute a repricing.