Freddie Mac

We make home possible℠

Rebuilding confidence. Leading responsibly.

2004 ANNUAL REPORT

A message from the Chairman

TO OUR STOCKHOLDERS:

I am pleased to write you this second annual letter as Chairman and CEO of Freddie Mac — the first covering developments under the company's new leadership team.

What began as a triage year became a year of mounting progress. By the end of 2004, our steps forward had begun to build real momentum. While we still have many challenges, I feel good about where we are and where we're going.

Our progress has come in three phases. First, we acted to repair the company's accounting, reputation and key relationships. Second, we laid a strong organizational foundation for the future. This has meant putting in place a tested and talented senior management team and reorganizing the company to be more agile, control costs and move toward operating excellence. Third, we are taking specific steps to build on this foundation, fulfill our vital public mission and produce lasting value for our shareholders.

Freddie Mac's employees are highly able, loyal and committed to our mission. The key is providing the right kind of leadership and sense of urgency.

PUTTING OUR HOUSE IN ORDER

While much remains to be done, Freddie Mac made significant strides last year in putting our house in order. We met all our financial reporting targets. We continued to modernize and strengthen our internal controls. In March of this year, we met our important commitment to report 2004 results. And we are on track to become fully current early next year.

We have also taken steps to strengthen corporate governance. For example, we have conducted the orderly transition of more than half of our elected board. In an era when many companies have had a hard time with board recruiting, the high quality of our board is a heartening sign of strong leadership and oversight for Freddie Mac.

FULFILLING OUR MISSION

Freddie Mac's mission is to provide liquidity, stability and affordability to the housing market. On the first two, we have done a good job. Mortgage money has been widely available under a wide range of market conditions, and the GSEs have played a vital role in keeping the economy strong. On affordability, however, I have been "Johnny One-Note" about Freddie Mac's need to do more. This is an area where we face substantial legislative and regulatory challenges. And the company has responded.

Freddie Mac made significant strides in recommitting ourselves to our affordable housing mission in 2004. We financed homes for more than 3.7 million families last year — more than half of whom were of low or moderate income. We reported to HUD that we met all of our affordable housing goals for 2004, which effectively increased by 14 percent. We also made progress on other measures such as our purchase of loans for minority families and first-time homebuyers.

We laid the groundwork for the successful rollout early this year of our new Home Possible℠ suite of affordable mortgages. Broadly available through our automated underwriting service, this initiative will bring new scale and influence to affordable housing finance. It also contains special terms to address the urgent problem of workforce housing. All told, we expect Home Possible to help hundreds of thousands of people — including first-time homebuyers and immigrant families — buy a home over the next few years.

As you can see, Freddie Mac is more focused today on our affordable housing mission. Our lender customers have recognized this change publicly. And this awareness has not only fed our mission progress, but our business progress as well.

BUILDING SHAREHOLDER VALUE

Last year we produced GAAP net income of approximately $2.9 billion — increasing our capital surplus and maintaining a strong balance sheet. Our strong capital position allowed us this March to raise our common stock dividend by 17 percent. We are very conscious this is *your* capital we are working with.

Risk management continues to be a distinguishing strength of Freddie Mac. Across a range of rigorous measures — from standards of credit risk to interest-rate risk to risk-based capital — the company remains very safe and sound. Indeed, we consistently pass tests of safety and soundness that very few financial institutions could satisfy. For example, we measure the sensitivity of our portfolio to sudden interest-rate movements every business day. We publicly report this PMVS, as it's called, every month. And our published monthly duration gap results show that we have kept our assets and liabilities very well matched through a wide variety of market conditions.

Although Freddie Mac is operating today in a challenging, lower-growth environment, I am confident we can continue to produce long-term value for our investors. One big reason is our greatly improved focus on the customer, under the strong leadership of President and COO Gene McQuade. In 2003, the company lost customers, partly because of our worsening security price performance, resulting in the loss of market share. In 2004, we turned that around — winning customers, improving the price of our mortgage-backed securities, and setting the stage for further gains in market share. Another plus was our introduction of more new products last year than in the previous four years combined. By year's end, our GSE market share had rebounded toward historic levels — climbing six percentage points from its 2003 low. And we expect to build on our gains this year.

The substantial improvement in our mortgage security prices was a major factor in our success last year. This turnaround didn't happen by accident. EVP for Investments Patti Cook leads a consolidated division whose holistic approach links the sourcing side of our business with the investment side. We also developed an important new product that was introduced successfully earlier this year. The Freddie Mac Reference REMIC℠ will provide simplicity, predictability, transparency and liquidity.

We are streamlining the company in further ways to achieve operational efficiencies. Most notably, we have created a unified operations and technology division, under EVP Joe Smialowski.

This brings together all of our back office and IT operations that previously were scattered throughout the different business areas.

We are taking a very hard look at costs — striving to be a least-cost producer wherever this fits our strategy. One goal this year is to arrest the growth in our General and Administrative expenses. To do so, we have already cut some 1,300 consultants from the company's payroll through the early months of this year. We are hopeful our G&A costs have peaked and we see further progress in the years ahead.

Some of our recent spending has been a classic case of making investments today to save money tomorrow. For example, the new systems we are building will allow us to rely more on automated internal controls over financial reporting, replacing many costly manual controls and reducing audit costs. As our CFO Marty Baumann can attest, our large investments in this area will pay off not just in better and more efficient accounting systems, but in a better-run company.

STRENGTHENING HOW WE ARE REGULATED

Since coming to Freddie Mac, I have made it clear we support sound legislation that will strengthen GSE regulation and market confidence. Achieving this outcome has been my highest priority. It's unfortunate that a bill didn't pass last year and we are working hard to achieve one this year.

The genius of the GSE business model established by Congress is that it employs private capital to achieve a vital public mission. In the political environment of the past year, the full meaning of this point has often been obscured. So it is one I have made clearly and vigorously as part of the legislative process. For the truth is, Freddie Mac's investors provide capital that is indispensable to fulfilling our mission with minimum risk — and maximum benefit — to the public.

That's why my being a vigilant steward of your capital is not a diversion from my public mission responsibilities. It *advances* those responsibilities.

CONCLUSION

Thanks to the foundation we laid and the steps we took in 2004, Freddie Mac is turning the corner. This is a company working from traditional strengths and adding new ones: a strong balance sheet and capital position; low and rigorously managed levels of risk; improved market share and funding costs; and a stronger competitive position with customers. We're doing more on our affordable mission. And the year brought us that much closer to resolving our two big remaining issues: GSE legislation and our financial reporting.

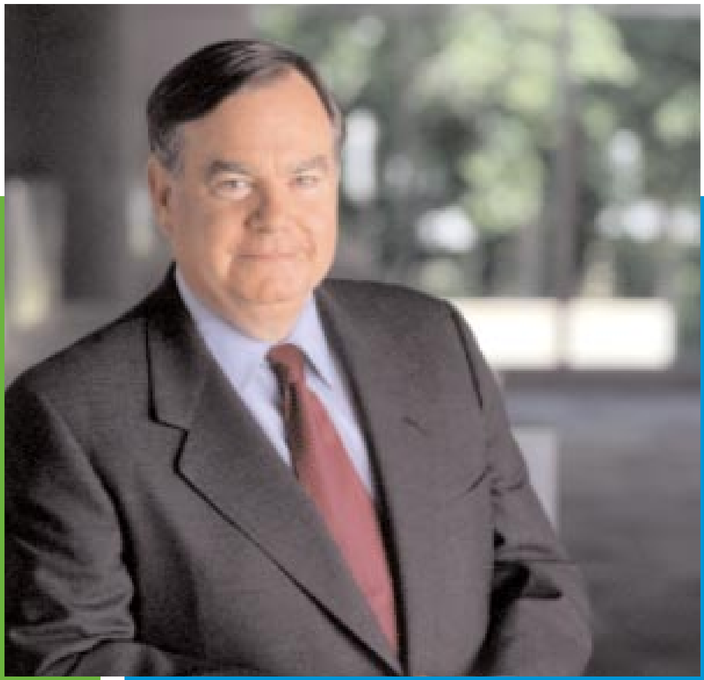
Going forward, we've got the right leadership for our most critical challenges, the right focus on winning over customers, and the right plan to achieve operational excellence.

Thank you for investing in Freddie Mac. Your confidence in us has helped millions of America's families achieve homeownership. Our responsibility is to justify that confidence. And we are fully committed to doing so.

Sincerely,

Richard F. Syron

Richard F. Syron
Chairman and Chief Executive Officer



PRESIDENT AND CHIEF OPERATING OFFICER

As a former commercial banker, I marvel at what a great market Freddie Mac serves — and at the strength of this franchise. We've got a strong business model, increasing customer focus, much improved funding costs and a dynamic, growing housing market.

Dick Syron acted decisively to bring in new top executives who quickly gelled into a cohesive team. This helps make even our hard decisions a bit easier. Today there's a new sense of commitment and teamwork not only in our senior management, but throughout the company. Freddie Mac's people are responding to the challenge.

You can sense the momentum. We're working to delight our customers and make the company simpler and easier to deal with. We're becoming nimbler — developing products, seizing opportunities. And we're executing better, with streamlined organizations, tighter internal controls, smarter use of IT.

Yes, our market share and several other dashboard dials have been moving the right way. But beyond the numbers, experience has given me a feel for what operating excellence feels like. And Freddie Mac is getting closer every day.

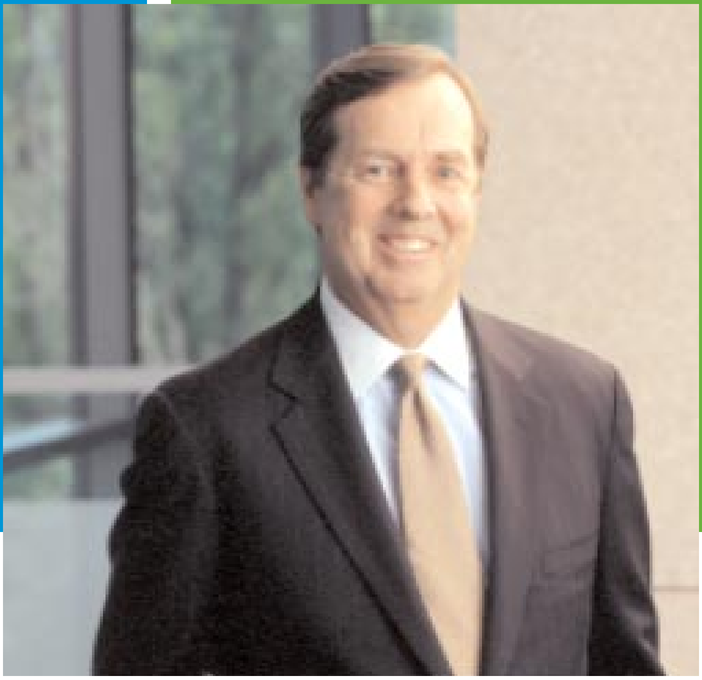
Eugene M. McQuade

Martin F. Baumann

When I joined Freddie Mac in April 2003, my immediate task was to create a plan to return the company to timely financial reporting and create a first-class financial reporting structure. It's been a long road, but today we are well on the way to fulfilling these goals.

We've met a series of financial reporting commitments on our announced timetable, and we're progressing along the final steps of our plan to resume timely financial reporting and become an SEC registrant. Across the company, our senior management team has made it a priority to enable investors to better assess our business performance. We remain on track to do these things.

The investments and efforts we've made to improve our accounting and financial controls are yielding tangible results. They will make us not only a better reporting company, but a better-run company as well. By creating a culture of accountability and teamwork, we are streamlining and improving our operations. And that is helping Freddie Mac remain focused on the business of our mission.



EXECUTIVE VICE PRESIDENT — FINANCE AND CHIEF FINANCIAL OFFICER

Patricia L. Cook

Freddie Mac's mission is to provide liquidity, stability and affordability to the housing market—all while maintaining the company's safety and soundness. We ensure a steady supply of low-cost funds to mortgage lenders by continuously securitizing home mortgages and providing a competitive investment bid. We use our retained portfolio, our debt issuance and securitization capabilities to tap the power of the global markets to finance housing in America.

Today, we're exploring new approaches to meet the challenges of our mission, such as increased mortgage funding for minority and immigrant households, and creative new investment options designed to meet investors' changing needs. Doing so means we have to challenge ourselves constantly to innovate and create new ways to satisfy our mission objectives while also achieving our financial return objectives. It's not an either/or proposition. Rather, it's a holistic approach to capital market and investment activities—and one that serves both our mission and our investors.

Prudently deploying capital while managing risk to provide low-cost mortgage funding—that's a mission we're proud to serve every day.

EXECUTIVE VICE PRESIDENT—INVESTMENTS

EXECUTIVE VICE PRESIDENT — OPERATIONS AND TECHNOLOGY

Operational excellence and a commitment to creating a performance-based culture drive me every day at Freddie Mac.

We're delivering new technology-based initiatives and executing on strategies to return the company to timely financial reporting, make it easier for our customers to do business with us, and help fulfill the company's mission.

The operational challenges ahead for Freddie Mac are demanding, varied and exciting. They range from applying technology to meet our business needs to ensuring we're agile enough to seize opportunities and meet the ever-changing needs of an emerging and diverse generation of homebuyers.

Today, we're implementing new efficiencies in our operations and use of technology to reduce the costs of doing business, strengthen our competitive position in the marketplace and deliver on our commitment to our mission and shareholders.

By focusing on operational excellence — the ability to define a problem, determine a solution and execute for success — Freddie Mac can do more than ever to make home possible for millions of families.

Joseph A. Smialowski

EXECUTIVE VICE PRESIDENT — COMMUNITY RELATIONS AND CHAIRMAN OF THE FREDDIE MAC FOUNDATION

Being a trusted friend to the community is a Freddie Mac hallmark. Through our extensive philanthropic program, anchored by the Freddie Mac Foundation, we make stronger communities possible for children and families. We do this by investing goodwill, expertise, leadership, volunteer power and money — nearly $32 million in 2004.

This commitment has led us to partner with organizations to increase affordable housing for families and to develop our signature program — Freddie Mac's Hoops for the Homeless — to raise awareness and money to combat family homelessness. Our foundation works every day to prevent child abuse and neglect, find homes for foster children and develop our young people. Our employees also give generously of their time, talent and treasure.

Freddie Mac's community and our nation can continue to count on us as a neighbor and friend to make streets into neighborhoods and help strengthen America's families.

Ralph F. Boyd, Jr.

INFORMATION STATEMENT
AND
ANNUAL REPORT TO STOCKHOLDERS
For the fiscal year ended December 31, 2004

Freddie Mac is a stockholder-owned, government-sponsored enterprise, or GSE, established by Congress to provide a continuous flow of funds for residential mortgages. We perform this function primarily by buying and guaranteeing residential mortgage loans and mortgage-related securities, which we finance by issuing mortgage-related securities, debt securities and equity securities. Our securities are not required to be registered under the Securities Act of 1933 or the Securities Exchange Act of 1934 and we are not currently required to file periodic reports with the Securities and Exchange Commission under the Exchange Act. However, we are committed to the voluntary registration of our common stock under the Exchange Act, which we expect to complete after we return to timely financial reporting. We alone are responsible for making payments on our securities. Neither the U.S. nor any agency or instrumentality of the U.S. other than Freddie Mac is obligated to fund our mortgage purchase or financing activities or to guarantee our securities or other obligations.

The publication of this Information Statement and Annual Report, or Information Statement, has been delayed as a result of the ongoing controls remediation and systems re-engineering and development necessary to return to timely financial reporting following the previous revision and restatement of our financial results for 2002, 2001 and 2000. For more details, see "EXPLANATORY NOTE."

This Information Statement contains important financial and other information about Freddie Mac. This Information Statement will be supplemented periodically. All available supplements should be read together with this Information Statement. We also provide information about the securities we issue in the Offering Circular for each securities program and any supplement for each particular offering. You can obtain copies of the Information Statement, Offering Circulars, all available supplements, financial reports and other similar information by visiting our Internet website (www.FreddieMac.com) or by writing or calling us at:

Freddie Mac
Investor Relations Department
Mailstop D4O
1551 Park Run Drive
McLean, Virginia 22102-3110
Telephone: 571-382-4732 or 1-800-FREDDIE (800-373-3343)
shareholder@freddiemac.com

Our principal offices are located at 8200 Jones Branch Drive, McLean, Virginia 22102 (telephone: 703-903-2000).

THIS INFORMATION STATEMENT IS DATED JUNE 14, 2005

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BOARD OF DIRECTORS (as of June 1, 2005)*

Richard F. Syron
Chairman and Chief Executive Officer
Freddie Mac
McLean, Virginia

Barbara T. Alexander
Independent Consultant
Monarch Beach, California

Geoffrey T. Boisi
Chairman and Senior Partner
Roundtable Investment Partners LLC
A private investment management firm
New York, New York

Michelle Engler
Trustee
JNL Investor Series Trust and JNL Series Trust
and *Member of Board of Managers*
JNL Variable Funds
Each an investment company
Lansing, Michigan

Richard Karl Goeltz
Retired Vice Chairman and Chief Financial Officer
American Express Company
A financial services company
New York, New York

Thomas S. Johnson
Retired Chairman and Chief Executive Officer
GreenPoint Financial Corp.
A financial services company
New York, New York

William M. Lewis, Jr.
Managing Director and Co-Chairman
of Investment Banking
Lazard Ltd
An investment banking company
New York, New York

John B. McCoy**
Retired Chairman and Chief Executive Officer
Bank One Corporation
A financial services company
Columbus, Ohio

Eugene M. McQuade
President and Chief Operating Officer
Freddie Mac
McLean, Virginia

Shaun F. O'Malley (Lead Director)
Chairman Emeritus
Price Waterhouse LLP
An accounting and consulting firm
Philadelphia, Pennsylvania

Ronald F. Poe
President
Ronald F. Poe & Associates
A private real estate investment firm
White Plains, New York

Stephen A. Ross
Professor
Massachusetts Institute of Technology
Cambridge, Massachusetts

William J. Turner
Manager
Signature Capital, Inc.
A venture capital investment firm
Portland, Maine

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* Freddie Mac's enabling legislation establishes the membership of the Board of Directors at 18 directors: 13 directors elected by the stockholders and 5 directors appointed by the President of the United States. Prior to our March 31, 2004 Annual Meeting, the Office of Counsel to the President informed us that the President did not intend to reappoint any of his then-current presidential appointees. Consequently, each of their terms as presidential appointees ended on the date of that annual meeting. No new appointees have been named by the President as of June 1, 2005.

** As previously announced, Mr. McCoy will not stand for re-election at our stockholders' meeting to be held on July 15, 2005.

EXPLANATORY NOTE

This Information Statement contains forward-looking statements regarding our current expectations and objectives for financial reporting, future business plans, results of operations, financial condition and trends and other matters that could affect our business. Forward-looking statements do not relate to historical matters and involve known and unknown risks, uncertainties and other factors, including those listed in the section titled "FORWARD-LOOKING STATEMENTS." Such statements are made as of the date of this Information Statement and we undertake no obligation to publicly update any forward-looking statement to reflect events or circumstances after the date of this Information Statement, or to reflect the occurrence of unanticipated events.

The publication of this Information Statement has been delayed as a result of the ongoing controls remediation and systems re-engineering and development necessary to return to timely financial reporting. Although we are working to address the operational weaknesses that are contributing to our current inability to release financial results on a timely basis, uncertainty regarding the expected success, scope and timing of these activities remains. See "MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS, or MD&A — RISK MANAGEMENT — Operational Risks — *Sources of Operational Risks*."

Our current objective is to provide financial results for first and second quarter 2005 by August 31, 2005 and for third quarter 2005 by mid-November 2005. In addition, our current objective is to provide financial results for fourth quarter and full-year 2005, including the timely filing of a minimum capital report with our regulator, the Office of Federal Housing Enterprise Oversight, or OFHEO, that complies with U.S. generally accepted accounting principles, or GAAP, at the end of January 2006. In 2004 and continuing into 2005, we have focused on our controls and systems remediation efforts to address the material weaknesses and other deficiencies in our internal controls over financial reporting. We expect to continue to make significant progress in developing and building a fully capable systems infrastructure. This infrastructure will facilitate our return to timely financial reporting, enabling us to fulfill our commitment to register our common stock with the Securities and Exchange Commission, or SEC, under the Exchange Act. We anticipate filing our Form 10 registration statement with the SEC in the second quarter of 2006 and becoming an SEC reporting company as soon as possible thereafter.

Although we have made significant progress during 2004 and the first five months of 2005, significant systems revisions are still required for us to return to timely financial reporting as a result of our adoption of revised and new accounting policies in recent years. We face continuing challenges because of the prior deficiencies in our accounting infrastructure and the operational complexities caused by the volume of revised and new accounting policies that we have adopted.

Systems improvements to date have enabled us to move to a one-step financial close process in 2005, a significant improvement over the two-step process used for the production of 2003 and 2004 results that involved the "remeasurement" of preliminary financial figures. We continue, however, to rely extensively on substantial validation and analytical review procedures to verify that the financial results produced by our recently implemented systems comply with GAAP.

This Information Statement and the certifications by our Chief Executive Officer and Chief Financial Officer, which are based on the certifications required of SEC registrants as to the accuracy and completeness of the information and the fair presentation of the consolidated financial statements and other financial information in periodic reports, do not address our internal controls over financial reporting or our disclosure controls and procedures because a comprehensive evaluation of the effectiveness of these controls and procedures was not performed as of December 31, 2004. See "MD&A — RISK MANAGEMENT — Operational Risks — *Sources of Operational Risks*" for additional information regarding our internal control weaknesses and remediation efforts.

BUSINESS

Overview

Freddie Mac is a stockholder-owned financial services company chartered by Congress on July 24, 1970 under the Federal Home Loan Mortgage Corporation Act, as amended, which we refer to as the Freddie Mac Act or our charter. At December 31, 2004, we had total assets of $795.3 billion, total liabilities and minority interests of $763.9 billion, and total stockholders' equity of $31.4 billion. At May 13, 2005, we had 5,064 full-time and 153 part-time employees. Our principal offices are located in McLean, Virginia. We have additional offices in Washington, D.C.; Reston, Virginia; Atlanta, Georgia; Chicago, Illinois; Dallas, Texas; New York, New York; and Woodland Hills, California.

We fulfill the requirements of our charter by purchasing residential mortgage loans and mortgage-related securities from mortgage lenders and securities dealers and by providing our credit guarantee of payment of principal and interest for residential mortgages originated by mortgage lenders. Through our credit guarantee activities, we securitize mortgage loans by issuing undivided interests in pools of purchased mortgages, which are called Mortgage Participation Certificates, or PCs, to third-party investors. We also resecuritize mortgage-related securities that are issued by us or the Government National Mortgage Association, or Ginnie Mae, as well as non-agency entities. Securities issued through our resecuritization activities are referred to as Structured Securities. For further information concerning our mortgage purchase and securities issuance activity and the composition of our Retained portfolio, see "MD&A — OUR RETAINED AND TOTAL MORTGAGE PORTFOLIOS" and "MD&A — VOLUME STATISTICS."

For more than three decades, we have been one of the largest participants in the U.S. residential mortgage market. The residential mortgage market consists of a primary mortgage market that links homebuyers and lenders and a secondary mortgage market that links lenders and investors. We purchase mortgage loans that finance homes in every geographic region of the U.S., including U.S. territories (Puerto Rico, Guam, U.S. Virgin Islands). By providing liquidity and efficiency in the secondary mortgage market, we reduce the cost of homeownership and rental housing and improve the quality of life by making the American dream of access to a decent and affordable home possible.

In the primary market, residential mortgage lenders originate or provide mortgages to homebuyers. These lenders include mortgage banking companies, commercial banks, savings banks, savings and loan associations, credit unions and state and local housing finance agencies. Lenders may choose to replenish their supply of lending capital by selling the mortgage loans they originate into the secondary mortgage market.

We compete in the secondary mortgage market with the Federal National Mortgage Association, or Fannie Mae, and other financial institutions that retain or securitize mortgages, such as banks, dealers and thrift institutions, and the Federal Home Loan Banks. We compete, primarily on the basis of price, products, structure and service, by buying and selling mortgages in the form of whole loans (*i.e.*, mortgage loans that have not been securitized) and mortgage-related securities. We also compete for low-cost debt funding with Fannie Mae, the Federal Home Loan Banks and other institutions that hold mortgage portfolios. Competition from these entities can vary with economic, financial market and regulatory environments.

We compete in the large and growing mortgage debt market. Total U.S. residential mortgage debt was $8.7 trillion as of December 31, 2004, according to reports from the Federal Reserve System. In relation to this market, our Total mortgage portfolio was $1.5 trillion as of December 31, 2004. See further discussion of our mortgage portfolio holdings in "MD&A — OUR RETAINED AND TOTAL MORTGAGE PORTFOLIOS." Total residential mortgage debt outstanding in the U.S. grew at an annual rate of 13 percent in both 2003 and 2004. We expect economic and demographic trends will continue to increase the total amount of mortgage debt outstanding, though at a slower rate than in the past few years. The share of the mortgage debt market attributed to Fannie Mae and us, however, has declined recently due to the increasing proportion of adjustable rate mortgages, or ARMs, and other non-traditional mortgage products originated. Banks have tended to retain these mortgages rather than sell them to the GSEs. In addition, there has been strong demand for mortgages in general by other investors, particularly banks.

Availability of Documents

Our Information Statements, Supplements and other financial disclosure documents are available free of charge on our website at www.FreddieMac.com. (We are providing this Internet address solely for the information of interested persons. We do not intend this Internet address to be an active link and are not using references to this Internet address here or elsewhere in this Information Statement to incorporate additional information into this Information Statement.) Our corporate governance guidelines, codes of conduct for employees and members of the Board of Directors (and any amendments or waivers that would be required to be disclosed), and the charters of the Board's five standing committees (*i.e.*, the Audit, Compensation and Human Resources, Finance and Capital Deployment, Governance and Nominating, and Mission and Sourcing Committees) are also available on our website. Printed copies of these documents may be obtained upon request.

Information About Business Segments

We have determined that we had one business segment for the periods presented in this Information Statement.

Our Charter and Mission

Our charter serves as the foundation of our business, forms the framework for our business activities, shapes the products we bring to market and drives the services we provide to the nation's housing and mortgage industry. Our mission is to provide liquidity, stability and affordability in the residential mortgage markets. We accomplish this by securitizing mortgages and by purchasing mortgages and mortgage-related securities to hold in our own portfolio.

Specifically, 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 received on other activities) by increasing the liquidity of mortgage investments and improving the distribution of investment capital available for residential mortgage financing; and
- to promote access to mortgage credit throughout the U.S. (including central cities, rural areas and other underserved areas) by increasing the liquidity of mortgage investments and improving the distribution of investment capital available for residential mortgage financing.

Our charter also provides us with special attributes such as:

- exemption from Securities Act and Exchange Act securities registration requirements (although we are subject to the antifraud provisions of those laws and are committed to the voluntary registration of our common stock with the SEC under the Exchange Act);
- favorable treatment of our securities under various legal investment laws and other regulations;
- access to the Federal Reserve Banks' book-entry system, which provides book-entry issuance, transfer, payment and settlement for our mortgage-related and debt securities;
- discretionary authority of the Secretary of the Treasury to purchase obligations we issue up to a maximum of $2.25 billion principal balance outstanding at any one time; and
- exemption from state and local taxes, except tax on real property that we own.

Loans Eligible for Purchase under Our Charter

Conforming Loan Limits

Our charter places a dollar amount cap on the size of the original principal balance of each single-family mortgage loan we purchase, referred to as the conforming loan limit. The conforming loan limit is established annually pursuant to a procedure prescribed by OFHEO. Table 1 presents a summary of the conforming loan limits for 2005, 2004 and 2003.

Table 1 — Conforming Loan Limits(1)(2)

	Effective as of January 1,		
	2005	2004	2003
First-lien conventional, single-family mortgage loan limits:			
One-family residence(3)	$359,650	$333,700	$322,700
Two-family residence	$460,400	$427,150	$413,100
Three-family residence	$556,500	$516,300	$499,300
Four-family residence	$691,600	$641,650	$620,500

(1) The dollar limits shown are those effective January 1st through December 31st of each calendar year.
(2) The applicable conforming loan limits are 50 percent higher for mortgages secured by properties in Alaska, Guam, Hawaii and the U.S. Virgin Islands.
(3) The conforming loan limit for second-lien mortgages on one-family residences is 50 percent of the limit for first-lien mortgages on such residences. When both first- and second-lien mortgages are purchased, the total amount purchased may not exceed the applicable conforming first-lien limit.

Loan-to-Value Ratios and Credit Enhancements

Conventional mortgages are mortgages that are not guaranteed or insured by any agency or instrumentality of the U.S. government. Our charter prohibits us from purchasing first-lien conventional, single-family mortgages if the unpaid principal balance at the time of purchase exceeds 80 percent of the value of the property securing the mortgage, unless we have one or more of the following credit protections:

- mortgage insurance from an approved mortgage insurer that covers at least the portion of the mortgage balance that exceeds 80 percent of the property's value;
- a seller's agreement to repurchase or replace (for periods and under conditions as we may determine) any mortgage in default; or
- retention by the seller of at least a ten percent participation interest in the mortgages.

The loan-to-value ratio, or LTV, restriction does not apply to multifamily mortgages or to mortgages insured by the Federal Housing Administration, or FHA, or the Rural Housing Service, or RHS, or partially guaranteed by the Department of Veterans Affairs, or VA.

Loan Quality

Under our charter we must limit our mortgage purchase and resecuritization activities, so far as practicable, to mortgages that are of a quality, type and class that generally meet the purchase standards of private institutional mortgage investors. This means the mortgage loans we purchase must be readily marketable to institutional mortgage investors.

We design our mortgage loan underwriting guidelines to assess the creditworthiness of the borrower and the borrower's capacity to fulfill the obligations of the mortgage. We continuously review these guidelines to ensure their effectiveness in order to address the changing needs of the marketplace so that more borrowers can access mortgage financing. In some circumstances, we grant waivers or variances from our guidelines.

We also seek to distribute our guidelines through the most efficient means possible, including using Loan Prospector®, our automated underwriting service. While the ultimate responsibility for a lending decision rests with the lender, Loan Prospector® provides our lender customers with a quick assessment of a loan's eligibility for our purchase.

Business Activities

We connect Main Street — the residential mortgage market — to Wall Street — dealers and investors — through our mortgage purchase, credit guarantee and portfolio investment activities.

Our customers are predominantly lenders in the primary mortgage market. Our activity in the secondary mortgage market supports a continuous flow of funds to the primary market, which leads to consumer benefits in the form of a steady flow of low-cost mortgage funding. This flow of funds helps moderate cyclical swings in the housing market, redistributes the flow of mortgage funds regionally throughout the U.S. and provides for the availability of mortgage funds at all times. In addition, the supply of cash made available to lenders through this process lowers mortgage rates, making homeownership affordable for more families and individuals.

Single-Family Mortgages. Lending institutions extend mortgage loans directly to their customers who wish to purchase or refinance a home. Often, lenders look to us to purchase those mortgage loans from them, replenishing the supply of money for lending. We purchase single-family mortgage loans, which are secured by one- to four-family properties, mainly from mortgage bankers, dealers, insurance companies and federally insured financial institutions.

The types of single-family mortgage loans we purchase typically include 30-year, 20-year, 15-year and 10-year fixed-rate mortgages, initial interest-only mortgages, ARMs and balloon/reset mortgages. The substantial majority of the mortgage loans we purchase are conventional mortgages. However, we purchase some mortgages that are fully insured by the FHA or the RHS, and some mortgages that are partially guaranteed by the VA. Single-family mortgage loans generally are subject to our internal credit policies and credit, appraisal, underwriting and other purchase policies and guidelines as set forth in our Single-Family Seller/Servicer Guide.

A significant portion of our single-family mortgage purchase volume is generated from several large mortgage lenders. During 2004, Wells Fargo Home Mortgage, Inc., Chase Home Finance LLC, ABN Amro Mortgage Group, Inc. and National City Mortgage Co. accounted for approximately 63 percent of our mortgage purchase volume. Wells Fargo was the largest source and accounted for approximately 33 percent of our mortgage purchase volume during 2004, while Chase Home Finance LLC, our second largest source, accounted for approximately 14 percent of our mortgage purchase volume.

As the mortgage industry has been consolidating, we and our competitors have been seeking business from a decreasing number of key lenders. We are exposed to the risk that we will lose significant business volume and will be unable to replace this business if one or more of our key lenders chooses to reduce significantly the volume of mortgages it delivers to us or ceases to exist because of a merger or an acquisition. The loss of business from any one of our key lenders could adversely affect our market share, our revenues, the use of our technology by participants in the mortgage market and the performance of our mortgage-related securities. We are actively working to diversify our customer base and thus reduce the potential impact of losing a key customer. We believe that we would be able to recover from a significant decrease in, or loss of, business volume from one or more of our largest customers through such means as strengthening our relationships with other major lenders and servicers or modifying our business strategies.

Multifamily Mortgages. We purchase multifamily mortgages, which are secured by structures with five or more units designed principally for residential use, from approved mortgage lenders. These lenders include federally insured financial institutions, mortgage bankers, investment bankers and insurance companies. These mortgages have terms generally ranging from five to thirty years. Our multifamily mortgage products, services and initiatives are designed primarily to finance rental housing affordable to low- and moderate-income families.

We have established multifamily mortgage credit, appraisal and underwriting guidelines as set forth in our internal credit policies and our Multifamily Seller/Servicer Guide. We may modify these guidelines or grant waivers for some multifamily mortgages, including mortgages on properties that have favorable debt coverage or loan-to-value ratios (a) that we consider to have superior management, (b) that are located where the demand for rental housing is strong, (c) that serve our affordable housing mission, or (d) for which we are seeking to match competitive bids by other lenders.

Credit Guarantee Activities

The following discussion summarizes our credit guarantee activities.

Guarantees of PCs. One of the means by which we fund purchases of mortgage loans is through the use of securitization-based financing. We issue PCs that represent undivided interests in the mortgage loans we purchase and which, in some cases, we sell to investors for cash. However, most of our credit guarantee activity occurs through mortgage swap transactions in which a mortgage lender or other seller delivers mortgages to us in exchange for our PCs. Our customers may choose to hold these PCs in their portfolios or sell them to other investors. We guarantee the payment of principal and interest on all PCs. Our guarantee increases the marketability of our PCs, providing additional liquidity to the marketplace.

Guarantees Issued Through Resecuritization. Our credit guarantee activities also involve the resecuritization of mortgage-related securities. In the resecuritization process, we issue securities representing undivided interests in PCs and certain other types of mortgage-related securities. In general, we issue the following two types of Structured Securities:

- **Single-Class Structured Securities.** We issue single-class Structured Securities backed by PCs and by non-Freddie Mac mortgage-related securities, including Ginnie Mae Certificates.

- **Multi-Class Structured Securities.** We issue multi-class Structured Securities that divide the cash flows of the underlying PCs, Ginnie Mae Certificates and other mortgage-related securities into two or more classes that meet the investment criteria and portfolio needs of different types of investors. Our principal multi-class Structured Securities activity is the issuance and sale of securities that qualify for tax treatment as Real Estate Mortgage Investment Conduits, or REMICs. Structured Securities backed by non-agency mortgage-related securities are also referred to as multi-class Structured Securities for purposes of this report.

The non-agency mortgage-related securities may be backed by mortgages originated using underwriting standards that differ from our normal criteria; however, most of these securities are significantly credit-enhanced at issuance. By issuing Structured Securities backed by these securities, we seek to provide liquidity to alternative segments of the mortgage market. See "MD&A — RISK MANAGEMENT — Credit Risks — *Mortgage Credit Risk* — Mortgage Credit Risk Management Strategies — *Portfolio Diversification*" for more information concerning the additional credit risk related to these transactions.

We commonly transfer Structured Securities to third parties in exchange for either cash or the collateral underlying the Structured Securities (*e.g.*, mortgage-related securities that third-party securities dealers deliver to us).

Guarantees on Non-Freddie Mac-Issued Securities or Loan Portfolios. We also provide guarantees of the payment of principal and interest on tax-exempt multifamily housing revenue bonds that support pass-through certificates issued by third parties. These housing revenue bonds are collateralized by mortgage loans on low- and moderate-income multifamily housing projects. In addition, we guarantee the payment of principal and interest related to low- and moderate-income multifamily mortgage loans that are originated and held by state and municipal housing finance agencies to support tax-exempt multifamily housing revenue bonds. For more information see "MD&A — OUR RETAINED AND TOTAL MORTGAGE PORTFOLIOS" — "Table 10 — Freddie Mac Single-Class and Multi-Class PCs and Other Structured Securities Based on Unpaid Principal Balances."

The To-Be-Announced Market

In connection with our credit guarantee activities, we issue PCs that represent pools of mortgages with similar characteristics — such as PCs relating to a pool of 30-year, fully amortizing fixed-rate mortgages with mortgage coupons within a specified range. Because these PCs are generally homogeneous and are issued in high volume, they are highly liquid and trade on a "generic" basis, also referred to as trading in the To-Be-Announced, or TBA, market. A TBA trade represents a contract for the purchase or sale of PCs to be delivered at a future date; however, the specific PCs that will be delivered to fulfill the trade obligation, and thus the specific characteristics of the mortgages underlying those PCs, are not known (*i.e.*, not "announced") at the time of the trade, but only subsequently when the trade is to be settled.

While the majority of TBA trades are performed manually, with purchases and sales occurring through direct contact between or among the parties to the trade, dealers often trade as anonymous participants through an inter-dealer broker or electronic trading system.

Purchases and sales of TBA-eligible PCs occur daily. Prices are generally quoted and accepted based only upon the name of the issuer (*e.g.*, Freddie Mac), the type of PC (*e.g.*, 30-year fixed rate), the coupon of the PC, the quantity and the settlement month. Each type of TBA trade has a single designated settlement date in each month, and 48 hours before the settlement date the parties identify the specific PCs to be delivered to fulfill the TBA trade obligation. During 2004 and 2003, we issued approximately $272.2 billion and $564.3 billion, respectively, of PCs that were eligible to be delivered to settle TBA trades, representing approximately 76 percent and 80 percent, respectively, of our total PC issuances.

Lenders use the TBA market to hedge the risk of changes in the fair value of mortgage loans caused by fluctuations in mortgage interest rates that occur after the lender "locks" a mortgage interest rate with a borrower, but before the mortgage loan is originated. When a lender locks in a rate for a borrower, the lender may sell PCs in the TBA market for delivery at a future date. After the lender originates the mortgages, it delivers the mortgages to us in a swap transaction and receives PCs in return. Those PCs can then be used to settle the TBA trade, or the lender can settle the trade with any of our other existing PCs that meet the generic terms of the trade.

We use the TBA market to manage cash purchase transactions. When a lender commits to deliver mortgages to us in exchange for cash at a specified price, we may sell PCs in the TBA market for delivery at a future date. By using the TBA market, we can manage the risk of fluctuations in interest rates by locking in the price at which we will sell the PCs that will ultimately be formed from the mortgages we purchase from lenders in cash transactions.

The use of the TBA market increases the liquidity of mortgage investments and improves the distribution of investment capital available for residential mortgage financing, thereby helping us to accomplish our statutory mission.

Portfolio Investment Activities

We purchase mortgage loans and mortgage-related securities (including PCs and Structured Securities we previously issued to third parties) and hold them in our Retained portfolio for investment purposes. We finance these purchases by issuing short-, medium- and long-term debt and subordinated debt and equity securities. Our purchases of mortgage loans and mortgage-related securities replenish the sources of capital available for mortgage lending to consumers.

Our Retained portfolio is managed through a disciplined strategy of long-term capital deployment. We apply our mortgage market expertise to support our asset selection while managing our credit and interest-rate risk. We invest in agency securities, non-agency mortgage-related securities and whole mortgage loans. Agency securities are mortgage-related securities issued by GSEs or governmental agencies.

We manage interest-rate risk and reduce the funding cost of the debt we issue by:

- issuing a mixture of debt of various maturities, either callable (that is, redeemable at our option at one or more times before its scheduled maturity) or non-callable;
- using a variety of derivatives; and
- restructuring mortgage-related securities cash flows and retaining a portion of these restructured cash flows in the form of Structured Securities.

See "MD&A — RISK MANAGEMENT — Interest-Rate Risk and Other Market Risks" for more information.

Mortgage Security Performance and Other Market Support Activities

We support the liquidity and depth of the market for PCs through various activities, including:

- educating dealers and investors about the merits of trading and investing in PCs;
- purchasing and selling PCs and other mortgage-related securities through the Retained portfolio; and
- introducing new mortgage-related securities products and initiatives.

We may increase, reduce or discontinue these or other related activities at any time, which could affect the liquidity and depth of the market for PCs. We support the execution of our credit guarantee business by adjusting our guarantee fee. For example, if the price performance of, and demand for, our PCs is not comparable to Fannie Mae securities on future mortgage deliveries by sellers, we may use market-adjusted pricing where we provide guarantee fee price adjustments to partially offset weaknesses in prevailing security prices and increase the competitiveness of our credit guarantee business. The use of such market-adjusted pricing could have a material adverse effect on the profitability of our new credit guarantee business over its life.

Our strategies to support PC price performance include the purchase and sale by our Retained portfolio of TBA PCs and other agency securities, including Fannie Mae securities. While some purchases of PCs may result in an expected return on equity substantially below our normal thresholds, this strategy is not currently expected to have a material effect on the overall performance of our Retained portfolio. Depending upon market conditions, including the relative prices and relative supply of and demand for PCs and comparable Fannie Mae securities, there may be substantial variability in any period in the total amount of securities we purchase or sell for our Retained portfolio in accordance with this strategy.

In the fourth quarter of 2004, as part of our effort to realign our business around our mission and core business, we ceased our PC market making and support activities accomplished through our Securities Sales & Trading Group business unit and our external Money Manager program. For more information, see "CONSOLIDATED RESULTS OF OPERATION — Net Interest Income" and "NOTE 5: RETAINED PORTFOLIO AND CASH AND INVESTMENTS PORTFOLIO" to our consolidated financial statements.

Predatory Lending

We have instituted anti-predatory lending policies designed to prevent the purchase or assignment of mortgage loans with unacceptable terms or conditions or resulting from unacceptable practices. In accordance with these policies, the following mortgages are not eligible for purchase:

- mortgages originated with single-premium credit insurance;
- mortgages with terms that exceed either the annual percentage rate or the points and fees threshold under the Home Ownership and Equity Protection Act of 1994;
- subprime mortgages with prepayment penalty terms that exceed three years; or
- prime mortgages, and subprime mortgages originated on or after August 1, 2004, that required the borrower to submit to arbitration.

In addition, we require the third parties who service the loans we hold in our Retained portfolio and the loans underlying our PCs and Structured Securities to report all borrower credit information, including monthly mortgage payments, to all credit bureau and reporting agencies. Several states have enacted laws aimed at predatory lending practices, generally with regard to loans exceeding thresholds based on annual percentage rates or financing costs. For some states, the high-cost home loan thresholds are defined by statutes that trigger state law liabilities for subsequent purchasers or assignees of such loans that may be more significant than liabilities imposed upon such purchasers or assignees under the Home Ownership and Equity Protection Act. Currently, we do not purchase such "high-cost home loans" in the states of Arkansas, Georgia, Illinois, Indiana, Kentucky, Maine, Massachusetts, Nevada, New Jersey, New Mexico, New York and Oklahoma. We continue to assess newly enacted and proposed state laws to determine our policies with respect to the purchase of loans affected by those laws.

Regulatory and Governmental Matters

HUD

The U.S. Department of Housing and Urban Development, or HUD, has general regulatory power over us. HUD's oversight to date has focused on housing goals, fair lending and new program approval.

Housing Goals

The GSEs are subject to affordable housing goals set by HUD. The goals are targeted to low- and moderate-income families, very low-income families and low-income families living in low-income areas, and families living in HUD-defined underserved areas. The HUD goals, which are set as a percent of total purchases, have risen steadily since they became permanent in 1995.

If the Secretary of HUD were to find that we failed, or that there was a substantial probability that we would fail, to meet any housing goal and that achievement of the housing goal was or is feasible, the Secretary could require us to submit a housing plan. The housing plan would describe the actions we will take to achieve the goal in the future. HUD also has the authority to issue a cease and desist order and to assess civil money penalties against us in the event that we fail to submit a required housing plan or fail to make a good faith effort to comply with a plan approved by HUD.

We have reported to HUD that we achieved each of the affordable housing goals in 2004 and 2003. Our purchases, as reported to HUD, are set forth in Table 2 below.

Table 2 — Prior Period Housing Goals and Results[1]

	Year Ended December 31,			
	2004		2003	
	Goal	Result	Goal	Result
Low- and moderate-income goal	50%	54%	50%	51%
Underserved areas goal	31	34	31	33
Special affordable goal	20	24	20	20
Multifamily special affordable volume target (dollars in billions)	$2.11	$9.83	$2.11	$8.00

(1) An individual mortgage may qualify for more than one of the goals. Each of the goal percentages and each of our percentage results is determined independently and cannot be aggregated to determine a percentage of total purchases that qualifies for these goals.

On May 4, 2004 and August 3, 2004, we received letters from HUD requesting information pertaining to certain transactions entered into in calendar years 2001, 2002 and 2003. As part of the information request, HUD asked us to describe how each identified transaction complied with HUD's rules for counting units financed toward the housing goals in these years. We fully complied with these requests for information. Following its review, HUD determined that we failed to meet our underserved areas goal of 31 percent for 2002 by 1,222 units (or approximately 0.03 percent). Because this shortfall occurred in 2002 and we exceeded the underserved areas goal in 2003 by approximately 95,000 units (or 1.7 percent), HUD did not require us to submit a housing plan as a result of missing the 2002 underserved areas goal. We are engaged in ongoing discussions with HUD regarding certain interpretive issues relating to the treatment of our mortgage purchases under the housing goals. If these discussions result in additional guidance from HUD that requires us to modify our reporting of housing goal results, we will make any necessary adjustments at the appropriate time.

Effective January 1, 2005, HUD established new and increasing affordable housing goal levels for the GSEs for the years 2005 through 2008, as summarized in "Table 3 — Current and Future Housing Goals for 2005, 2006, 2007 and 2008" below. In addition, HUD established three new home purchase subgoals for mortgages that finance purchases of single-family, owner-occupied properties located in metropolitan areas (refinanced mortgages are excluded). Finally, the existing dollar-based target for multifamily mortgage purchases increased to $3.92 billion, based on HUD's established formula setting the goal as the average of the previous three years' volume. In total, beginning in 2005 and continuing through 2008, we are required to achieve six different and increasing HUD goals and subgoals and a higher multifamily dollar-based target, as summarized in Table 3 below.

Table 3 — Current and Future Housing Goals[1] for 2005, 2006, 2007 and 2008

Current and Future Housing Goals for 2005, 2006, 2007 and 2008

Housing Goals Levels

	2005 Goal	2006 Goal	2007 Goal	2008 Goal
Low and moderate- income goal	52%	53%	55%	56%
Underserved areas goal	37	38	38	39
Special affordable goal	22	23	25	27
Multifamily special affordable volume target (dollars in billions)	$3.92	$3.92	$3.92	$3.92

Home Purchase Subgoals

	2005 Goal	2006 Goal	2007 Goal	2008 Goal
Low and moderate- income goal	45%	46%	47%	47%
Underserved areas goal	32	33	33	34
Special affordable goal	17	17	18	18

(1) An individual mortgage may qualify for more than one of the goals. Each of the goal percentages is determined independently and cannot be aggregated to determine a percentage of total purchases that qualifies for these goals.

We believe that meeting these goals and subgoals will be challenging and there can be no assurance that we will meet all of them in 2005 or beyond. We are making significant efforts to meet the new goals and subgoals through adjustments to our mortgage sourcing and purchase strategies, including changes to our underwriting guidelines and expanded and targeted initiatives to reach underserved populations.

Our strategies to meet the new goals and subgoals may result in the purchase of loans that offer lower expected returns on our investment and are likely to increase our exposure to potential credit losses. Increasing the concentration of our purchases of goal-eligible loans also may require us to forego other purchase opportunities that we would expect to be more profitable. If our current efforts to meet the new goals and subgoals prove to be insufficient, we may need to take additional steps that could lead to a significant reduction of service to portions of the conventional conforming mortgage market, and also a reduction in our profitability.

We view the purchase of mortgage loans benefiting low- and moderate-income families and neighborhoods as a principal part of our mission and business, and remain committed to fulfilling the needs of these borrowers and markets.

Fair Lending

Our mortgage purchase activities are subject to federal anti-discrimination laws. In addition, the Federal Housing Enterprises Financial Safety and Soundness Act of 1992, or the GSE Act, requires the Secretary of HUD to adopt regulations prohibiting discriminatory practices in our mortgage purchase activities and periodically to review and comment on our underwriting and appraisal guidelines for consistency with the Fair Housing Act and the fair housing provisions of the GSE Act. The GSE Act also requires the Secretary of HUD to direct that we:

- submit data to HUD to assist it in investigating whether a mortgage lender with which we do business has failed to comply with the Fair Housing Act or the Equal Credit Opportunity Act; and
- undertake remedial actions, including suspension, probation, reprimand or settlement, against lenders that are found to have engaged in discriminatory lending practices in violation of the Fair Housing Act or Equal Credit Opportunity Act pursuant to a final adjudication and after opportunity for an administrative hearing.

New Program Approval

Under the GSE Act, we must obtain the approval of the Secretary of HUD for any new program for the purchasing, servicing, selling, lending on the security of or otherwise dealing in conventional mortgages that:

- is significantly different from programs that were previously approved under the GSE Act or that were approved or engaged in before the date the GSE Act was enacted; or
- represents an expansion, of the dollar volume or number of mortgages or securities involved, of programs above limits expressly contained in any prior approval.

HUD has issued regulations implementing the new program approval authority granted under the GSE Act. The Secretary of HUD is required to approve any new program unless the Secretary determines that the new program is not authorized under the Freddie Mac Act or that the program is not in the public interest.

OFHEO

Regulation of our financial safety and soundness is vested in OFHEO. Organizationally, OFHEO is located within HUD; however, it operates independently of the Secretary of HUD in most respects. Among other regulations relating to safety and soundness, OFHEO implements, monitors, and enforces capital standards that apply to us. In addition, OFHEO conducts comprehensive examinations of our operations.

OFHEO's regulatory capital requirements include a ratio-based minimum capital requirement and a risk-based capital requirement designed to ensure that we maintain sufficient capital to survive a sustained severe downturn in the economic environment. OFHEO is required to classify our capital adequacy at least quarterly. OFHEO has never classified us as other than "adequately capitalized," the highest possible classification.

If we were classified as less than adequately capitalized, our ability to pay dividends on common or preferred stock could be restricted. Also, without prior written approval from OFHEO, we may not make any dividend payment on common or preferred stock if, after paying such dividend, we would fail to meet our minimum capital or risk-based capital requirements. For additional information about our regulatory capital requirements, see "NOTE 10: REGULATORY CAPITAL" to the consolidated financial statements.

On January 29, 2004, OFHEO announced the creation of a framework for monitoring our capital due to the temporarily higher operational risks arising from our current inability to produce timely financial statements in accordance with GAAP. The framework includes a target capital surplus of 30 percent of our minimum capital requirement, subject to certain conditions and variations; weekly monitoring; and prior approval of certain capital transactions, to verify that appropriate levels of capital are maintained. While OFHEO's framework includes weekly monitoring and imposes restrictions on share repurchases and other capital activities, we do not expect it to adversely affect our ability to grow in most scenarios. For additional information about the OFHEO target capital surplus framework, see "NOTE 10: REGULATORY CAPITAL" to the consolidated financial statements.

Treasury

Under the Freddie Mac Act, the Secretary of the Treasury has approval authority over all of our issuances of notes, debentures and substantially identical types of unsecured debt obligations (including the interest rates and maturities on these securities), as well as new types of mortgage-related securities issued subsequent to the enactment of the Financial Institutions Reform, Recovery and Enforcement Act of 1989. The Secretary of the Treasury has historically performed this debt securities approval function by coordinating GSE debt offerings with Treasury funding activities.

SEC

While we are exempt from the Securities Act and Exchange Act securities registration requirements, we are dedicated to fulfilling our commitment to register our common stock under the Exchange Act. Once this process is complete, we will be subject to the financial reporting requirements applicable to registrants under the Exchange Act, including filing with the SEC annual reports on Form 10-K, quarterly reports on Form 10-Q and current reports on Form 8-K. We anticipate filing our Exchange Act registration statement with the SEC in the second quarter of 2006 and becoming an SEC reporting company as soon as possible thereafter.

In addition, OFHEO has issued a supplemental disclosure regulation that will obligate us to submit proxy statements and insider transaction reports to the SEC in accordance with rules promulgated under the Exchange Act. Our securities continue to be exempt from the securities offering registration requirements of the Securities Act and certain other provisions of the federal securities laws.

GSE Regulatory Oversight Legislation

We face an uncertain regulatory environment in light of legislative reforms currently being discussed. We strongly support enactment of regulatory oversight legislation that ensures our regulator has authority to conduct effective oversight. We believe appropriate regulatory oversight legislation would strengthen market confidence and promote our mission. In our view, a strong regulator that values housing, capital requirements tied to risk, and legislative provisions that maintain our GSE status are among the key elements of appropriate GSE regulatory oversight legislation. We will continue to work with the Congress, the Administration and other interested parties toward enacting such legislation.

Both the Senate and the House of Representatives have indicated that they will consider GSE regulatory oversight legislation during the current session of Congress. Separate bills concerning regulatory oversight are under consideration in the Senate and the House of Representatives, and others are likely to be introduced, that address key elements of the GSE's business and regulation including regulatory structure, capital standards, receivership, scope of GSE activities, affordable housing goals, portfolio growth and expanded regulatory oversight over GSE officers and directors.

We currently generate a significant portion of our net income through our portfolio investment activities. Legislative provisions now under consideration would give our regulator substantial authority to regulate the amount and composition of our portfolio investments and would enable the regulator to require substantial reductions in those investments. Additional provisions under consideration would increase the regulator's authority to require us to maintain higher capital levels and to approve new programs and business activities, and would modify our affordable housing goals and require that a specified percentage of our profits be placed in a fund to support affordable housing.

It is also possible that the enactment of legislative provisions that go beyond the key elements identified above could further erode or eliminate the special abilities and responsibilities set forth in our charter that make it possible for us to pursue our mission effectively. The enactment into law of the various legislative provisions under consideration, depending on their final terms and on how they were applied by our regulator within the scope of its authority, could have a material adverse effect on Freddie Mac's future earnings, stock price and shareholder returns, ability to fulfill its mission, and ability to recruit and retain qualified officers and directors.

While we continue to work toward enactment of appropriate GSE regulatory oversight legislation, we cannot predict the prospects for the enactment, timing or content of any legislation or its impact on our financial prospects.

Other Regulatory Matters

Our business activities may be affected by a variety of legislative and regulatory actions related to the activities of banks, savings institutions, insurance companies, securities dealers and other regulated entities that comprise a significant part of our customer base. Among the legislative and regulatory provisions applicable to these entities are capital requirements for federally insured depository institutions and regulated bank holding companies. For example, the Basel Committee on Banking Supervision, composed of representatives of certain central banks and bank supervisors, has developed a new set of risk-based capital standards for banking organizations. The U.S. banking regulators have stated their intent to propose new capital standards for certain banking organizations that would incorporate the new risk-based capital standards into existing requirements. If final rules adopted by the U.S. banking regulators revise the capital treatment of mortgage assets, decisions by U.S. banking organizations about whether to hold or sell such assets could be affected. However, the contents and timing of any final rules remain uncertain, as does the manner in which U.S. banking organizations may respond to them.

Legislative or regulatory provisions that create or remove incentives for these entities either to sell mortgage loans to us or to purchase our securities, could have a material effect on our business results.

PROPERTIES

We own a 75 percent interest in a limited partnership that owns our principal offices, consisting of four office buildings in McLean, Virginia that comprise approximately 1.2 million square feet. We occupy the headquarters complex under a long-term lease from the partnership. We also lease other office space in McLean, Virginia; Washington, D.C.; Reston, Virginia; Atlanta, Georgia; Chicago, Illinois; Dallas, Texas; New York, New York; and Woodland Hills, California.

LEGAL PROCEEDINGS

We are involved as a party to a variety of legal proceedings arising from time to time in the ordinary course of business including, among other things, contractual disputes, personal injury claims, employment-related litigation and other legal proceedings incidental to our business.

Furthermore, we are frequently involved, directly or indirectly, in litigation involving mortgage foreclosures. We also are involved in proceedings arising from our termination of a seller/servicer's eligibility to sell mortgages to, and service mortgages for, us. In these cases, the former seller/servicer sometimes seeks damages against us for wrongful termination under a variety of legal theories. In addition, we are sometimes sued in connection with the origination or servicing of mortgages. These suits generally involve claims alleging wrongful actions of seller/servicers. Our contracts with our seller/servicers generally provide for them to indemnify us against liability arising from their wrongful actions.

We are also subject to various legal proceedings, including regulatory investigations and administrative and civil litigation, arising from the restatement. These proceedings include class action and stockholder derivative lawsuits, administrative enforcement proceedings commenced by OFHEO, and investigations by the SEC, Department of Labor, the U.S. Attorney's office and the FEC. Recently, we have been named in multiple lawsuits alleging violations of federal and state antitrust laws and state consumer protection laws in connection with the setting of our guarantee fees.

Litigation and claims resolution are subject to many uncertainties and are not susceptible to accurate prediction. For additional information on these proceedings, see "NOTE 13: LEGAL CONTINGENCIES" and "NOTE 14: INCOME TAXES" to the consolidated financial statements.

SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

The following matters were presented for stockholder vote at the November 4, 2004 Annual Meeting of Stockholders: (a) election of 13 members to our Board of Directors, each for a term ending on the date of the next annual meeting of our stockholders; (b) ratification of the appointment of PricewaterhouseCoopers LLP as our independent auditors for 2004; (c) approval of the 2004 Stock Compensation Plan; and (d) approval of the Amended and Restated Employee Stock Purchase Plan. Of the 689,544,489 shares of common stock outstanding on the record date for the meeting, 602,265,372 shares were present in person or by proxy at the meeting. As shown in Table 4 below, the following persons were elected to our Board of Directors at the meeting by the respective votes indicated:

Table 4 — Submission of Matters to a Vote of Security Holders

	Votes For	Votes Withheld
Barbara T. Alexander	588,912,902	13,352,470
Geoffrey T. Boisi	589,092,865	13,172,507
Michelle Engler	556,672,196	45,593,176
Richard Karl Goeltz	588,955,520	13,309,852
Thomas S. Johnson	569,820,155	32,445,217
William M. Lewis, Jr.	589,119,835	13,145,537
John B. McCoy	566,411,920	35,853,452
Eugene M. McQuade	585,483,822	16,781,550
Shaun F. O'Malley	570,164,908	32,100,464
Ronald F. Poe	566,582,087	35,683,285
Stephen A. Ross	571,402,848	30,862,524
Richard F. Syron	578,824,360	23,441,012
William J. Turner	569,823,326	32,442,046

The appointment of PricewaterhouseCoopers LLP was ratified at the meeting by the following votes:

Votes for	Votes Against	Abstentions
597,300,503	1,572,056	3,392,813

The 2004 Stock Compensation Plan was approved at the meeting by the following votes:

Votes for	Votes Against	Abstentions
444,307,818	47,005,047	4,459,507

The Amended and Restated Employee Stock Purchase Plan was approved at the meeting by the following votes:

Votes for	Votes Against	Abstentions
466,370,480	25,541,493	3,860,399

No matters were submitted to stockholders from November 5, 2004 through the date of this Information Statement.

MARKET PRICE FOR THE COMPANY'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Market Information

Our common stock, par value $0.21 per share, is listed on the New York Stock Exchange, or NYSE, and the Pacific Stock Exchange under the symbol FRE. From time to time, our common stock may be admitted to unlisted trading status on other national securities exchanges. Put and call options on our common stock are traded on U.S. options exchanges. As of December 31, 2004, there were 690,606,185 shares outstanding of our common stock.

Table 5 sets forth the high and low sale prices of our common stock for the periods indicated.

Table 5 — Quarterly Common Stock Information

	Sale Prices(1)	
	High	Low
2005 Quarter Ended		
March 31	$73.91	$59.74
2004 Quarter Ended		
December 31	$74.20	$64.15
September 30	69.50	61.73
June 30	64.62	56.45
March 31	65.15	57.60
2003 Quarter Ended		
December 31	$59.75	$52.65
September 30	56.04	47.35
June 30	61.40	46.48
March 31	64.78	49.53

(1) The principal market is the NYSE, and prices are based on the Composite Tape.

As of May 23, 2005, the closing price for our common stock was $64.52 per share. As part of a stock repurchase plan approved by our Board of Directors, we are authorized to repurchase our common stock in an amount up to five percent of our shares outstanding as of September 5, 1997, which was approximately 34 million shares. At December 31, 2004, approximately 13 million common shares remained available for repurchase under this plan. We did not repurchase any common stock during 2004 or the first five months of 2005, and we do not expect to engage in share repurchases until after we are timely in our financial reporting. See "BUSINESS — Regulatory and Governmental Matters — OFHEO" for more information.

Dividends

Table 6 sets forth the cash dividend per common share that we have declared for the periods indicated.

Table 6 — Dividends Per Common Share

	Regular Cash Dividend Per Share
2005 Quarter Ended	
March 31	$0.35
2004 Quarter Ended	
December 31	$0.30
September 30	0.30
June 30	0.30
March 31	0.30
2003 Quarter Ended	
December 31	$0.26
September 30	0.26
June 30	0.26
March 31	0.26

We have historically paid dividends to our stockholders in each quarter. Our Board of Directors intends to continue declaring dividends quarterly, but further dividends will depend upon our capital position, earnings and growth prospects and other factors our Board of Directors considers relevant to our payment of dividends and the declaration of specific dividends. See "NOTE 10: REGULATORY CAPITAL" to the consolidated financial statements for additional information regarding dividend payments and "NOTE 9: STOCKHOLDERS' EQUITY" to the consolidated financial statements for additional information regarding our preferred stock dividend payments.

Holders

As of May 13, 2005, we had approximately 2,500 common stockholders of record.

Securities Authorized for Issuance under Equity Compensation Plans

Table 7 provides information about our common stock that may be issued upon the exercise of options, warrants and rights under our existing equity compensation plans as of December 31, 2004. Our stockholders have approved the Amended and Restated Employee Stock Purchase Plan, the 2004 Stock Compensation Plan and the 1995 Directors' Stock Compensation Plan, as amended and restated in 1998.

Table 7 — Securities Authorized for Issuance under Equity Compensation Plans

Plan Category	(a) Number of securities that may be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by stockholders	9,312,985(1)	$43.73(2)	17,720,244(3)
Equity compensation plans not approved by stockholders	None	N/A	None

(1) Includes 1,624,628 restricted stock units, or RSUs, issued under the 1995 Directors' Stock Compensation Plan and the 1995 and 2004 Stock Compensation Plans and options to purchase 60,416 shares under the Amended and Restated Employee Stock Purchase Plan.
(2) For the purpose of calculating this amount, the restricted stock units are assigned an exercise price of zero.
(3) Consists of 12,910,468 shares, 3,237,149 shares and 1,572,627 shares available for issuance under the 2004 Stock Compensation Plan, the Amended and Restated Employee Stock Purchase Plan, and the 1995 Directors' Stock Compensation Plan, as amended and restated in 1998, respectively.

NYSE Corporate Governance Listing Standards

On November 30, 2004, our Chief Executive Officer submitted to the NYSE the certification required by Section 303A.12(a) of the NYSE Listed Company Manual regarding our compliance with the NYSE's corporate governance listing standards.

FORWARD-LOOKING STATEMENTS

We regularly communicate information concerning our business activities to investors, securities analysts, the news media and others as part of our normal operations. Some of these communications include "forward-looking statements" pertaining to our current expectations about our objectives for financial reporting, future business plans, results of operations, financial condition and trends. Forward-looking statements are typically accompanied by, and identified with, terms such as "estimates," "continue," "ongoing," "anticipates," "believes," "expects," "intends," "plans," "endeavors," "future," "seeks," "potential," "objectives," "goal," "will," "may," "might," "should," "could," "would," "likely" and similar phrases. This Information Statement includes forward-looking statements. These statements are not historical facts, but rather represent our expectations based on current information, plans, estimates and projections. Forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control. You should be careful about relying on any forward-looking statements. You should also consider all risks, uncertainties and other factors described in this Information Statement in considering any forward-looking statements. Factors that could cause actual results to differ materially from the expectations expressed in these and other forward-looking statements by management include, among others:

- Changes in applicable legislative or regulatory requirements, including our Congressional charter, affordable housing goals, or regulatory capital requirements (including the temporary 30 percent target capital surplus imposed on us by OFHEO in January 2004), the exercise or assertion of regulatory or administrative authority beyond current practice, or the enactment of proposed legislation (in whole or in part) discussed in "BUSINESS — Regulatory and Governmental Matters — GSE Regulatory Oversight Legislation;"

- Actions by governmental entities, securities rating agencies or others that could adversely affect the supply or cost of equity capital or debt financing available to us;
- Our ability to effectively and timely implement the remediation plan undertaken as a result of the restatement of our consolidated financial statements and the consent order entered into with OFHEO, including particular initiatives relating to technical infrastructure and controls over financial reporting;
- Our ability to identify, manage, mitigate and/or remedy internal control weaknesses and deficiencies and other risks;
- Developments in, outcomes of, impacts of, and costs, expenses, settlements and judgments related to regulatory investigations and civil litigation in which we are involved;
- Political conditions and related actions by the U.S. or abroad, which may adversely affect our businesses and economic conditions as a whole;
- Changes in our strategies for and results of credit loss mitigation, interest-rate and other market risk management activities and investment activities;
- Our ability to implement changes, developments and/or impacts of new, pending or existing accounting standards, including the timely development of supporting systems;
- Changes in pricing or valuation methodologies, models, assumptions and/or estimates;
- The degree to which our business and financial forecasting methods accurately predict actual results and our ability to implement business processing improvements;
- Volatility of reported results due to changes in fair value of certain instruments or assets;
- Changes in, and volatility of, the general economy, including interest rates, housing prices and employment rates;
- The availability of debt financing and equity capital in sufficient quantity and at attractive rates to support continued growth in our retained portfolio, to refinance maturing debt and to meet regulatory capital requirements;
- The availability of derivative financial instruments (such as options and interest-rate and currency swaps) from acceptable counterparties of the types and in the quantities needed for investment funding and risk management purposes;
- The rate of growth in total outstanding U.S. residential mortgage debt and the size of the U.S. residential mortgage market;
- The possibility of further concentration of mortgage loan sourcing in a smaller number of originators;
- Preferences of originators in selling into the secondary market. See "BUSINESS — Regulatory and Governmental Matters — Other Regulatory Matters" for additional information;
- Borrower preferences for fixed-rate mortgages or ARMs;
- Investor preferences for mortgage loans and mortgage-related and debt securities versus other investments;
- Competition and liquidity in the market for mortgage-related and debt securities;
- Changes in foreign exchange rates;
- Significant business disruptions resulting from acts of war or terrorism;
- The occurrence of a major natural or other disaster in geographic areas in which portions of our total mortgage portfolio are concentrated; and
- Our ability to effectively manage these and other risks.

We undertake no obligation to update these forward-looking statements to reflect events or circumstances after the date of this Information Statement, or to reflect the occurrence of unanticipated events.

SELECTED FINANCIAL DATA[1]

	At or for the Year Ended December 31,				
	2004	2003	2002	2001	2000
	(dollars in millions, except share-related amounts)				
Income Statement Data					
Net interest income	$ 9,137	$ 9,498	$ 9,525	$ 7,448	$ 3,758
Non-interest income (loss)[2]	(3,039)	(244)	7,154	(1,591)	2,656
Income before cumulative effect of change in accounting principles, net of taxes	2,937	4,816	10,090	3,115	3,666
Cumulative effect of change in accounting principles, net of taxes	—	—	—	43	—
Net income	$ 2,937	$ 4,816	$ 10,090	$ 3,158	$ 3,666
Earnings per common share before cumulative effect of change in accounting principles, net of taxes					
Basic	$ 3.96	$ 6.69	$ 14.22	$ 4.19	$ 5.04
Diluted	3.94	6.68	14.17	4.17	5.01
Earnings per common share after cumulative effect of change in accounting principles, net of taxes					
Basic	$ 3.96	$ 6.69	$ 14.22	$ 4.25	$ 5.04
Diluted	3.94	6.68	14.17	4.23	5.01
Dividends per common share	$ 1.20	$ 1.04	$ 0.88	$ 0.80	$ 0.68
Weighted average common shares outstanding (in thousands)					
Basic	689,282	687,094	692,727	692,603	692,097
Diluted	691,521	688,675	695,116	695,973	695,307
Balance Sheet Data					
Total assets	$ 795,284	$ 803,449	$ 752,249	$ 641,100	$462,803
Senior debt securities, net due within one year	282,303	295,262	244,429	264,227	183,374
Senior debt securities, net due after one year	443,772	438,738	415,662	311,013	244,732
Subordinated debt, due after one year	5,622	5,613	5,605	3,128	144
Miscellaneous liabilities[3]	30,662	30,420	52,914	40,489	14,252
Minority interest in consolidated subsidiaries	1,509	1,929	2,309	2,619	2,944
Stockholders' equity	31,416	31,487	31,330	19,624	17,357
Portfolio Balances[4]					
Retained portfolio (unpaid principal balances)[5]	$ 652,936	$ 645,466	$ 567,272	$ 497,639	$392,298
Total PCs issued and Structured Securities (unpaid principal balances)[6]	1,208,968	1,162,068	1,090,624	961,511	838,323
Total mortgage portfolio (unpaid principal balances)	1,505,206	1,414,399	1,316,609	1,150,723	975,612
Ratios					
Return on average assets[7]	0.4%	0.6%	1.4%	0.6%	0.9%
Return on common equity[8]	10.2	17.2	47.2	20.2	39.0
Return on total equity[9]	9.3	15.3	39.6	17.1	30.2
Dividend payout ratio on common stock[10]	30.7	15.6	6.2	18.9	13.6
Equity to assets ratio[11]	3.9	4.0	3.7	3.4	2.9

(1) Effective January 1, 2003, we adopted the provisions of the Financial Accounting Standards Board, or FASB, Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others," or FIN 45, and FASB Staff Position 45-2, "Whether FASB Interpretation No. 45, 'Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others,' or Provides Support for Subsequently Accounting for a Guarantor's Liability at Fair Value," or FIN 45-2. We also adopted the provisions of Statement of Financial Accounting Standards, or SFAS, No. 133, "Accounting for Derivative Instruments and Hedging Activities," or SFAS 133, and the provisions of Emerging Issues Task Force No. 99-20, "Recognition of Interest Income and Impairment on Purchased and Retained Beneficial Interests in Securitized Financial Assets," or EITF 99-20 as of January 1, 2001 and April 1, 2001, respectively. See "NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES" to our consolidated financial statements for more information.

(2) Non-interest income (loss) was increased by $11 million and $9 million for 2001 and 2000, respectively, to conform to the 2004 presentation.

(3) Includes Due to Participation Certificate investors, Accrued interest payable, Guarantee obligation for Participation Certificates, Derivative liabilities, at fair value, Reserve for guarantee losses on Participation Certificates and Other liabilities.

(4) Excludes mortgage loans and mortgage-related securities traded, but not yet settled.

(5) The Retained portfolio presented in our consolidated balance sheets differs from the Retained portfolio on this table because the consolidated balance sheets caption includes valuation adjustments (*e.g.*, fair value adjustments for securities classified as available-for-sale and trading and the Reserve for losses on mortgage loans held-for-investment) and deferred balances (*e.g.*, premiums and discounts). See "Table 9 — Reconciliation of Retained Portfolio Unpaid Principal Balances to the Consolidated Balance Sheets" in "MD&A — OUR RETAINED AND TOTAL MORTGAGE PORTFOLIOS" for more information.

(6) Represents PCs and Structured Securities backed by non-Freddie Mac mortgage-related securities and other credit guarantees of mortgage loans held by third parties. The balances are based on the underlying collateral, which ultimately affects the principal amount of PCs, Structured Securities and other credit guarantees of mortgage loans held by third parties.

(7) Ratio computed as Net income divided by the simple average of beginning and ending Total assets.

(8) Ratio computed as Net income available to common stockholders divided by the simple average of beginning and ending Stockholders' equity, net of Preferred stock (at redemption value).

(9) Ratio computed as Net income divided by the simple average of beginning and ending Stockholders' equity.

(10) Ratio computed as Common stock dividends declared divided by Net income available to common stockholders.

(11) Ratio computed as the simple average of beginning and ending Stockholders' equity divided by the simple average of beginning and ending Total assets.