



**Supplement dated January 5, 2007 to  
Information Statement dated June 28, 2006**

**RECENT EVENTS**

***FREDDIE MAC PROVIDES QUARTERLY MARKET UPDATE***

Freddie Mac today provided an update on the company's business performance and on the company's estimates of financial results for the first three quarters of 2006.

The company estimates net income of \$2.5 billion for the first nine months of 2006, compared to net income of \$1.4 billion for the first nine months of 2005. For the third quarter, the company estimates a net loss of approximately \$550 million, compared to net income of \$880 million for the third quarter of 2005. During the third quarter of 2006, long-term interest rates declined by approximately 50 basis points. As a result, and as the company previously indicated, third quarter 2006 results reflect a reversal of mark-to-market gains on derivatives and credit guarantee assets and obligations recognized in the first half of the year. In addition, the company estimates an increase for the first nine months of 2006 in the fair value of net assets attributable to common stockholders, before capital transactions, of approximately \$2.8 billion, compared to a decline of approximately \$200 million for the first nine months of 2005.

"While our quarterly results reflect the volatility we see quarter-to-quarter in response to movements in interest rates, we remain encouraged with the underlying progress of Freddie Mac's business," said Richard F. Syron, chairman and chief executive officer. "We face a challenging market environment due to continued tight spreads. However, our credit guarantee portfolio continues to grow, funding levels remain highly attractive, key interest-rate and credit risk measures are solid and our capital levels are strong. Our underlying markets continue to grow strongly, and we remain sharply focused on continuing to serve our vital mission of strengthening America's housing finance system. At the same time, there is significant uncertainty about the prospects for legislative and regulatory changes. While a number of these changes could have negative implications going forward, at this point there can be no certitude about their potential impact on our economic performance."

"Freddie Mac is making solid progress on a series of initiatives to improve the company's controls environment and financial reporting systems," said Buddy Pizel, executive vice president – Finance and CFO. "These efforts, under our comprehensive plan, are aimed at returning Freddie Mac to timely financial reporting and building the capabilities we need to continue to evolve our business and seize new opportunities in the future."

The company noted that preliminary estimates of net income and fair value results for the first nine months of 2006 and the third quarter of 2006 may change materially as the company completes the process of closing its books for 2006.

## **BUSINESS RESULTS**

### *Business Volumes and Trends*

The company's credit guarantee portfolio grew to approximately \$1.5 trillion as of November 30, 2006, an annualized growth rate of approximately eleven percent. The company estimates that its share of government-sponsored enterprise mortgage securitizations through November was approximately 43 percent, compared to about 45 percent through November 2005 and about 41 percent in 2004. Year-to-date through November 2006, the company's retained portfolio decreased slightly to \$704 billion.

### *Debt Funding*

The company's average funding levels remained significantly below the London Interbank Offered Rate ("LIBOR"), with spreads relative to LIBOR improving during the year by 2 to 5 basis points along the interest rate curve for its Reference Notes<sup>®</sup> securities. The company reduced the balance of short-term debt securities to approximately 20 percent of total outstanding debt as of November 30, 2006, from approximately 24 percent at the beginning of the year. The company repurchased approximately \$35 billion of its previously issued debt securities this year. The company engages in repurchase activity to manage its overall debt program and reduce its option-adjusted funding costs for the assets it holds. Significant debt program activities included repurchase of callable bonds that remained outstanding past their call date, and a tender offer that resulted in retirement of approximately \$5 billion equivalent of Euro Reference Notes<sup>®</sup> securities. In many instances during the year, the company repurchased securities at prices below their par amount, which generated gains in net income.

### *Interest-Rate Risk Management*

Managing the company's interest-rate risk is essential to maintaining a strong and durable capital base and uninterrupted access to debt and equity markets. Consistent with its longstanding record, the company's interest-rate risk remains low. Through November, the company reported portfolio market value sensitivity ("PMVS") and duration gap to have averaged one percent and zero months, respectively, unchanged from prior quarterly periods during the year.

### *Credit Risk Management*

The company's mortgage credit risk, as measured by the current loan-to-value ("LTV") ratio of its credit guarantee portfolio and other credit characteristics, also remains low. The company estimates that the portfolio has an LTV of approximately 56 percent as of the end of the third quarter, and the portfolio remains well diversified nationally. Long-term, fixed-rate mortgages continued to comprise more than 80 percent of the credit guarantee portfolio, despite an increase in the purchase of variable-rate and non-traditional mortgage products this year. Through the third quarter, the company estimates that interest-only mortgages comprised approximately 15 percent of purchases, and comprised approximately four percent of the total credit guarantee portfolio. The company also estimates that mortgages with optional payment terms ("option

ARMs”) comprised approximately two percent of purchases and approximately two percent of the total credit guarantee portfolio.

As of the end of the third quarter, the total single-family delinquency rate was 51 basis points, compared to 69 basis points as of December 31, 2005 and 73 basis points as of December 31, 2004. The company estimates that net charge-offs through the third quarter of 2006 were approximately \$110 million, representing approximately 1.0 basis point of our credit guarantee portfolio, compared with \$82 million for the same period in 2005, representing approximately 0.8 basis points.

### ***Administrative Expenses***

The company expects to report year-to-date administrative expenses through the third quarter of 2006 of approximately \$1.2 billion, compared with \$1.1 billion for the same period in 2005. Management’s top priority is to provide the resources needed to support our internal control and financial reporting infrastructure initiatives, while managing our administrative expense growth.

### ***Mission and Affordable Housing Goals***

In 2006, Freddie Mac financed homes for approximately three million families and worked hard with lending customers to assist them in achieving their Community Reinvestment Act and affordable housing objectives. In addition, the company believes it has attained all of the regulatory affordable housing goals for 2006 and, based upon information currently available, all of the regulatory sub-goals. The company will report its 2006 housing goal performance to the Secretary of HUD in the first quarter of 2007, who will make the final determination.

### ***Business Outlook***

Management continues to expect the company to achieve long-term returns on the average fair value of net assets attributable to common stockholders, before capital transactions, in the low-to mid-teens, although period-to-period returns may fluctuate substantially due to market conditions. Management’s expectations are based upon assumptions regarding rates of growth in the company’s business, spreads that management expects to earn on business, and a return over a period of years to capital levels consistent with current statutory requirements, among other factors. Management has made no assumptions regarding any potential impact of pending legislation or regulatory actions, discussed more extensively in the company’s prior disclosures. The company’s actual results may differ materially from these expectations.

Freddie Mac expects that the amount of residential mortgage debt outstanding (“MDO”) will continue to rise in 2007, at a rate more in line with the long-term MDO growth projection of 7 to 9.5 percent. The company also expects near-term credit losses to rise somewhat, but still remain low by historical standards. Additionally, the company will manage the retained portfolio in accordance with the voluntary, temporary growth limit of two percent per annum announced in August 2006, until the time that the company resumes producing and publicly releasing quarterly

financial statements prepared in conformity with generally accepted accounting principles (“GAAP”).

Management expects to continue maintaining a surplus over both the regulatory minimum capital requirement and OFHEO’s 30 percent mandatory target capital surplus across a wide range of market conditions.

## **PRELIMINARY CAPITAL POSITION AND FINANCIAL RESULTS FOR 3Q AND FIRST NINE MONTHS OF 2006**

### ***Capital Position***

In accordance with the company’s monthly minimum capital reporting requirements, the company submitted its September 30, 2006 capital report to the Office of Federal Housing Enterprise Oversight (“OFHEO”) at the end of October. In the report, the company estimated regulatory core capital at September 30, 2006 of \$36.8 billion. Management’s current estimate of net income for the first nine months of 2006 is approximately \$2.5 billion. This current estimate includes adjustments to net income the company recorded subsequent to its capital report submissions. A number of these adjustments affected net income for the first half of the year, which management currently estimates at \$3.0 billion.

Management’s current estimate of net loss for the third quarter is approximately \$550 million. As previously indicated in the company’s October market update release and conference call, this decline was driven primarily by losses recognized on derivatives and credit guarantee assets and obligations of approximately \$1.5 billion (pre-tax), largely representing the reversal of gains on these items recognized in the first half of the year.

While the company’s income statement remains volatile from period to period as a result of the asset and derivative mark-to-market gains and losses we report in accordance with GAAP, management believes it is more important to focus on the company’s longer-term results.

### ***Fair Value Results***

The estimated increase for the first nine months of 2006 in the fair value of net assets attributable to common stockholders, before capital transactions, was approximately \$2.8 billion, an annualized fair value return of approximately 14 percent. Estimated fair value returns for the first nine months benefited from returns on the company’s retained portfolio and credit guarantee activities, partially offset by estimated reductions in fair value attributable to net widening in mortgage-to-debt option-adjusted spreads (“OAS”), which management estimates decreased fair value results by approximately \$200 million, and net mark-to-market losses on the company’s guarantee asset and guarantee obligation.

For the third quarter, management estimates that the fair value of net assets attributable to common stockholders, before capital transactions, was unchanged from June 30, 2006. Third quarter fair value results were negatively affected by interest rate declines and credit spread

widening affecting the guarantee asset and guarantee obligation, which management currently estimates decreased fair value during the third quarter in an amount more than offsetting gains estimated for the first half of the year. This decrease was partially offset by increases in fair value attributable to net tightening in mortgage-to-debt OAS, which management estimates increased fair value results by approximately \$300 million as of the end of the quarter.

### ***Fourth Quarter Outlook***

Certain of the interest rate and other market conditions adversely affecting third quarter 2006 results persisted into the fourth quarter of the year. As a result, the company expects to report a loss in net income for the fourth quarter and report a lower annualized return on the fair value of net assets attributable to common stockholders for the full year than achieved through the first three quarters.

### **CAPITAL TRANSACTIONS UPDATE**

On December 8, 2006, the company's board of directors declared a 50 cent per share quarterly dividend on the company's voting common stock, a 3 cent per share increase (or a 12 cent per share increase on an annualized basis), bringing the annualized dividend to \$2.00 per share. The common stock dividend action is the fourth increase in three years, with a cumulative dividend increase of approximately 92 percent since December 2003.

In addition, in accordance with its previously announced Board authorizations, the company has completed the repurchase of approximately \$2 billion in common stock (approximately 32.7 million shares) at an average price of \$61.06 per share. During 2006, the company issued \$1.5 billion of non-cumulative perpetual preferred stock. Management expects to complete the remaining issuance of \$500 million in preferred stock under these authorizations early in 2007 depending on market conditions.

### **INTERNAL CONTROLS AND FINANCIAL REPORTING UPDATE**

The company is continuing to make progress on the series of initiatives to improve its financial reporting infrastructure and remediate material weaknesses and other deficiencies in its internal controls. These activities are part of Freddie Mac's comprehensive plan for returning to quarterly financial reporting. The comprehensive plan includes mitigation and remediation of identified control issues; strengthening of the financial close process; implementing critical systems initiatives; and completion of a review of the company's system of internal controls related to the processing and recording of the company's financial transactions.

The company's plan is to release 2006 results prior to the end of the first quarter of 2007. An important milestone for the company's return to quarterly reporting will be the progress achieved in the remediation of internal controls and implementation of new accounting systems. Throughout 2007, management will evaluate the company's remediation progress each quarter to determine whether the company has reduced the risk of a material misstatement to an acceptable level.

*Announcement of Conference Call and Webcast*

The company will host a conference call discussing today’s announcement at 8:30a.m. Eastern Time today. Domestic investors should call 1-800-288-8968 and international investors can access the call at 612-332-0335. The conference call will be webcast live on the company’s Web site. A telephone recording of this conference call will be available continuously beginning at approximately 12:00 p.m. Eastern Time on January 5, 2007 until 11:59 p.m. on January 19, 2007. To access this recording in the United States, call 1-800-475-6701 and use access code 857638. Outside of the United States, call 320-365-3844 and use access code 857638.

**RISK MANAGEMENT AND DISCLOSURE COMMITMENTS**

In October 2000, we announced our voluntary adoption of a series of commitments designed to enhance market discipline, liquidity and capital. In September 2005, we entered into a written agreement with OFHEO that updated these commitments and set forth a process for implementing them. The letters between the company and OFHEO dated September 1, 2005 constituting the written agreement are available on the Investor Relations page of our website at [www.freddiemac.com/investors/reports.html#commit](http://www.freddiemac.com/investors/reports.html#commit). As noted in these letters, disclosures may be affected by situations where current financial statements are not available. Our commitments are as follows:

Description	Status
<p>1. <i>Periodic Issuance of Subordinated Debt:</i></p> <ul style="list-style-type: none"> <li>• We will issue Freddie SUBS<sup>®</sup> for public secondary market trading that are rated by no less than two nationally recognized statistical rating organizations.</li> <li>• Freddie SUBS<sup>®</sup> will be issued in an amount such that the sum of Total capital (core capital plus general allowance for losses) and the outstanding balance of “Qualifying subordinated debt” will equal or exceed the sum of 0.45 percent of outstanding PCs and Structured Securities we guaranteed and 4 percent of total on-balance sheet assets. Qualifying subordinated debt is discounted by one-fifth each year during the instrument’s last five years before maturity; when the remaining maturity is less than one year, the instrument is entirely excluded. Each quarter we will submit to OFHEO calculations of the quantity of qualifying Freddie SUBS<sup>®</sup> and Total capital as part of our quarterly capital report.</li> <li>• Every six months, we will submit to OFHEO a subordinated debt management plan that includes any issuance plans for the six months following the date of the plan.</li> </ul>	<ul style="list-style-type: none"> <li>• In December 2006 we issued approximately \$2.0 billion of Freddie SUBS<sup>®</sup>, including approximately \$1.5 billion issued in exchange for previously issued Freddie SUBS<sup>®</sup>. In addition, we issued approximately \$1.25 billion of Freddie SUBS<sup>®</sup> in June 2006 and called approximately \$1.0 billion of previously issued Freddie SUBS<sup>®</sup> in August 2006. We did not issue, call or repurchase any Freddie SUBS<sup>®</sup> during 2005 and 2004. Our ability to issue additional subordinated debt may be limited until we return to regular financial reporting.</li> <li>• We reported to OFHEO that at September 30, 2006, we had \$5.3 billion in qualifying Freddie SUBS<sup>®</sup> outstanding and Total capital, for the purpose of this calculation, in the amount of \$37.2 billion, resulting in a surplus of \$4.6 billion.</li> <li>• We have submitted our semi-annual subordinated debt management plans to OFHEO.</li> </ul>

Description	Status																																		
<p>2. <i>Liquidity Management and Contingency Planning:</i></p> <ul style="list-style-type: none"> <li>We will maintain a contingency plan providing for at least three months' liquidity without relying upon the issuance of unsecured debt. We will also periodically test the contingency plan in consultation with OFHEO.</li> <li>We have in place a liquidity contingency plan, upon which we report to OFHEO on a weekly basis. We periodically test this plan in accordance with our agreement with OFHEO.</li> </ul>																																			
<p>3. <i>Interest-Rate Risk Disclosures:</i></p> <ul style="list-style-type: none"> <li>We will provide public disclosure of our duration gap, PMVS-L and PMVS-YC interest-rate risk sensitivity results on a monthly basis. See "RISK MANAGEMENT — Interest-Rate Risk and Other Market Risks — <i>Portfolio Market Value Sensitivity and Measurement of Interest-Rate Risk</i>" in our Information Statement dated June 28, 2006 for a description of these metrics.</li> <li>For the eleven months ended November 30, 2006, our duration gap averaged zero months, PMVS-L averaged one percent and PMVS-YC averaged zero percent. Our 2006 monthly average duration gap, PMVS results and related disclosures are provided in our Monthly Volume Summary which is available on our website, <a href="http://www.FreddieMac.com/investors/volsum">www.FreddieMac.com/investors/volsum</a>.</li> </ul>																																			
<p>4. <i>Credit Risk Disclosures:</i></p> <ul style="list-style-type: none"> <li>We will make quarterly assessments of the impact on expected credit losses from an immediate five percent decline in single-family home prices for the entire U.S. We will disclose the impact in present value terms and measure our losses both before and after receipt of private mortgage insurance claims and other credit enhancements.</li> <li>Our quarterly credit risk sensitivity estimates are as follows:</li> </ul> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th rowspan="2"></th> <th colspan="2" style="text-align: center;">Before Receipt of Credit Enhancements<sup>(1)</sup></th> <th colspan="2" style="text-align: center;">After Receipt of Credit Enhancements<sup>(2)</sup></th> </tr> <tr> <th style="text-align: center;">Net Present Value, or NPV<sup>(3)</sup> (dollars in millions)</th> <th style="text-align: center;">NPV Ratio<sup>(4)</sup></th> <th style="text-align: center;">Net Present Value, or NPV<sup>(3)</sup> (dollars in millions)</th> <th style="text-align: center;">NPV Ratio<sup>(4)</sup></th> </tr> </thead> <tbody> <tr> <td>As of:</td> <td></td> <td></td> <td></td> <td></td> </tr> <tr> <td>09/30/06</td> <td style="text-align: right;">\$ 1,071</td> <td style="text-align: center;">7.4 bps</td> <td style="text-align: right;">\$ 724</td> <td style="text-align: center;">5.0 bps</td> </tr> <tr> <td>06/30/06</td> <td style="text-align: right;">\$ 1,018</td> <td style="text-align: center;">7.2 bps</td> <td style="text-align: right;">\$ 686</td> <td style="text-align: center;">4.9 bps</td> </tr> <tr> <td>03/31/06</td> <td style="text-align: right;">\$ 915</td> <td style="text-align: center;">6.6 bps</td> <td style="text-align: right;">\$ 598</td> <td style="text-align: center;">4.3 bps</td> </tr> <tr> <td>12/31/05</td> <td style="text-align: right;">\$ 873</td> <td style="text-align: center;">6.5 bps</td> <td style="text-align: right;">\$ 564</td> <td style="text-align: center;">4.2 bps</td> </tr> </tbody> </table> <ul style="list-style-type: none"> <li>(1) Assumes that none of the credit enhancements currently covering our mortgage loans has any mitigating impact on our credit losses.</li> <li>(2) Assumes we collect amounts due from credit enhancement providers after giving effect to certain assumptions about counterparty default rates.</li> <li>(3) Based on single-family Total mortgage portfolio, excluding Structured Securities backed by Ginnie Mae Certificates.</li> <li>(4) Calculated as the ratio of net present value of increase in credit losses to the single-family Total mortgage portfolio, defined in footnote 3 above.</li> </ul>			Before Receipt of Credit Enhancements <sup>(1)</sup>		After Receipt of Credit Enhancements <sup>(2)</sup>		Net Present Value, or NPV <sup>(3)</sup> (dollars in millions)	NPV Ratio <sup>(4)</sup>	Net Present Value, or NPV <sup>(3)</sup> (dollars in millions)	NPV Ratio <sup>(4)</sup>	As of:					09/30/06	\$ 1,071	7.4 bps	\$ 724	5.0 bps	06/30/06	\$ 1,018	7.2 bps	\$ 686	4.9 bps	03/31/06	\$ 915	6.6 bps	\$ 598	4.3 bps	12/31/05	\$ 873	6.5 bps	\$ 564	4.2 bps
	Before Receipt of Credit Enhancements <sup>(1)</sup>		After Receipt of Credit Enhancements <sup>(2)</sup>																																
	Net Present Value, or NPV <sup>(3)</sup> (dollars in millions)	NPV Ratio <sup>(4)</sup>	Net Present Value, or NPV <sup>(3)</sup> (dollars in millions)	NPV Ratio <sup>(4)</sup>																															
As of:																																			
09/30/06	\$ 1,071	7.4 bps	\$ 724	5.0 bps																															
06/30/06	\$ 1,018	7.2 bps	\$ 686	4.9 bps																															
03/31/06	\$ 915	6.6 bps	\$ 598	4.3 bps																															
12/31/05	\$ 873	6.5 bps	\$ 564	4.2 bps																															
<p>5. <i>Public Disclosure of Risk Rating:</i></p> <ul style="list-style-type: none"> <li>We will seek to obtain a rating, that will be continuously monitored by at least one nationally recognized statistical rating organization, assessing "risk-to-the-government" or independent financial strength.</li> <li>At December 31, 2006, our "risk-to-the-government" rating from Standard &amp; Poor's, or S&amp;P, was "AA—" and Moody's Bank Financial Strength Rating for us was "A—".</li> </ul>																																			

\* \* \* \*

This Information Statement Supplement contains forward-looking statements. Statements that are not historical facts are forward-looking statements, including statements about management's beliefs, expectations and estimates as to the company's future business plans, remediation initiatives, timelines, duration of the voluntary, temporary growth limit, results of operations, financial condition or outlook. These statements involve known and unknown risks,

uncertainties, assumptions, estimates, and other factors and can often be identified by the words “will,” “current,” “estimates,” “remain,” “uncertainty,” “prospects,” “potential,” “opportunities,” “priority,” “plan,” “building,” “progress,” “focused,” “depending,” “expects,” “continues,” “may,” “initiatives,” “preliminary,” “aimed,” “going forward,” “future,” “believes,” and other expressions which are predictions of or indicate future events and trends. Management’s expectations for the company’s future necessarily involve a number of assumptions and estimates, including rates of growth in the company’s business; spreads earned on business; and capital levels. Actual results could differ materially from these expectations as a result of various factors, including: actions by governmental entities, securities agencies or others that adversely affect the supply or cost of equity capital or debt financing available to us; our ability to identify, manage, mitigate and remediate internal control weaknesses and deficiencies and other risks; our ability to effectively implement our business strategies and manage the risks in our business; changes in estimates, methodologies or models we use; adjustments to reserves for taxes and other contingencies; the outcome of pending legal proceedings; general business, economic, market and political conditions, including changes in levels and volatilities of interest rates and other market factors, changes in mortgage-to-debt option-adjusted spreads, prepayment behavior, housing prices, credit losses, and employment rates; our ability to complete additional capital transactions; competitive developments in the mortgage market; the rate of growth in total outstanding U.S. residential mortgage debt; changes in applicable legislative or regulatory requirements, including required capital levels, or changes in interpretations of such requirements; the other factors discussed in this Information Statement Supplement; and the reactions of the marketplace to the foregoing. Additional assumptions and factors are also discussed in the company’s Information Statement dated June 28, 2006, and subsequent information Statement Supplements, which are available on the Investor Relations page of the company’s Web site at [www.FreddieMac.com/investors](http://www.FreddieMac.com/investors). We undertake no obligation to publicly update forward-looking statements we make in light of new information or future events.