

AUDIT COMMITTEE REPORT

The Audit Committee operates under a written charter most recently revised and approved by the Board in March 2007. As stated in the charter, the Audit Committee's primary responsibility is to assist the Board in discharging its oversight responsibilities with respect to financial matters and compliance with laws and regulations. The Audit Committee's specific responsibilities are summarized under "Proposal 1: Election of Directors — Meetings of the Board and Committees" above. A copy of the charter is available on our website at www.freddiemac.com.

The Audit Committee currently comprises the following five directors: Messrs. Glauber, Goeltz, Johnson, O'Malley and Ross. The Board has determined that each of these directors meets the independence requirements of the NYSE Listed Company Manual and our Guidelines. During the year ended December 31, 2007, the Audit Committee met 13 times. During the period from January 1, 2008 through April 22, 2008 the Audit Committee met nine times.

Mr. Goeltz is currently the Chairman of the Audit Committee and has been a member of the Audit Committee since March 31, 2004. The Board has determined that Mr. Goeltz has the requisite experience to qualify as an "audit committee financial expert" under the rules and regulations of the SEC and has designated him as such. However, Mr. Goeltz is not an auditor or accountant for Freddie Mac, does not perform field work and is not an employee of Freddie Mac. In accordance with the SEC's safe harbor relating to audit committee financial experts, a person designated or identified as an audit committee financial expert will not be deemed an "expert" for purposes of the federal securities laws. In addition, such designation or identification does not impose on such person any duties, obligations or liabilities that are greater than those imposed on such person as a member of the Audit Committee and Board of Directors in the absence of such designation or identification and does not affect the duties, obligations or liabilities of any other member of the Audit Committee or Board of Directors.

Management is responsible for the effectiveness of our internal control over financial reporting and the preparation of our consolidated financial statements in accordance with U.S. Generally Accepted Accounting Principles, or GAAP. Our independent auditors are responsible for performing an independent audit of our consolidated financial statements and for expressing an opinion, based on the results of their audit, whether the consolidated financial statements are fairly presented, in all material respects, in conformity with GAAP. The Audit Committee is responsible for overseeing the conduct of these activities and, subject to stockholder ratification, appointing our independent auditors. As stated above and in its charter, the Audit Committee's role in this process is one of oversight. While the Audit Committee has the responsibilities and powers set forth in its charter, it is not the responsibility of the Audit Committee to prepare financial statements, or to determine that our financial statements and disclosures are complete and accurate and prepared in accordance with GAAP and applicable rules and regulations. These are the responsibilities of management. It is also not the responsibility of the Audit Committee to plan or conduct an independent audit of the financial statements. These are the responsibilities of our independent auditors. In carrying out its oversight responsibilities, the Audit Committee is not providing any expert, professional or special assurance as to our financial statements or any professional certification. The Audit Committee relies on the information provided and representations made to it by management, and also on the report on our consolidated financial statements that it receives from our independent auditors.

In discharging its responsibilities relating to our internal controls, accounting and financial reporting policies and auditing practices, the Audit Committee discussed and reviewed with our independent auditors, PricewaterhouseCoopers LLP, the overall scope and process for their audit. The Audit Committee regularly meets with PricewaterhouseCoopers LLP, with and without management present, to discuss the results of their examination, their observations about our internal controls and the overall quality of our financial reporting.

The Audit Committee has discussed with PricewaterhouseCoopers LLP the matters required to be discussed by Statement on Auditing Standards No. 114, *The Auditor's Communication With Those Charged With Governance* (which supersedes Statement on Auditing Standards No. 61). The Audit Committee also has received the written disclosures and the letter from PricewaterhouseCoopers LLP that are required by Independence Standards Board Standard No. 1, *Independence Discussions with Audit Committees*, and has discussed with PricewaterhouseCoopers LLP their independence from Freddie Mac and our management. At the direction of the Audit Committee, PricewaterhouseCoopers LLP did not provide any non-audit services to Freddie Mac in 2007.

The Audit Committee has reviewed and discussed with management our audited consolidated financial statements as of and for the fiscal year ended December 31, 2007.

The Audit Committee has also met with members of senior management and compliance, enterprise risk oversight, finance, legal and internal audit personnel to discuss and review, among other things, the results of internal audit examinations, the scope and resources for the internal audit function, management's development and implementation of systems and programs for the detection and prevention of fraud, management's policies, guidelines and processes regarding the assessment and management of our risk exposures, the status of litigation and investigations in which we are involved, our compliance with legal and regulatory requirements, and directors' and employees' compliance with our Codes of Conduct. OFHEO's annual report of examination regarding our safety and soundness was presented to the full Board, and so was not separately discussed by the Audit Committee in 2007.

Based on the reviews, reports and discussions referred to above, the Audit Committee recommended to the Board that the audited financial statements referred to above be included in our Annual Report for the year ended December 31, 2007.

In addition, the Audit Committee has approved the appointment of PricewaterhouseCoopers LLP as our independent auditors for the fiscal year ending December 31, 2008, and has submitted the appointment to the stockholders for ratification at this annual meeting. The Audit Committee pre-approved the terms of the audit services expected to be provided by our independent auditors for the fiscal year ending December 31, 2008.

This report is respectfully submitted by the members of the Audit Committee of the Board.

Richard Karl Goeltz, *Chairman*
Robert R. Glauber
Thomas S. Johnson
Shaun F. O'Malley
Stephen A. Ross

Audit Committee Report

EXECUTIVE OFFICERS

As of April 1, 2008, our executive officers are as follows:

<u>Name</u>	<u>Age</u>	<u>Year of Affiliation</u>	<u>Position</u>
Richard F. Syron	64	2003	Chairman and Chief Executive Officer
Robert E. Bostrom	55	2006	Executive Vice President, General Counsel and Corporate Secretary
Patricia L. Cook	55	2004	Executive Vice President, Chief Business Officer
Paul G. George	56	2005	Executive Vice President, Human Resources and Corporate Services
Michael Perlman	57	2007	Executive Vice President, Operations and Technology
Anthony S. Pizsel	53	2006	Executive Vice President and Chief Financial Officer
Kirk Die	50	2006	Senior Vice President and General Auditor
David B. Kellermann	40	1992	Senior Vice President — Corporate Controller and Principal Accounting Officer
Michael C. May	49	1983	Senior Vice President, Multifamily Sourcing
Hollis S. McLoughlin	57	2004	Senior Vice President, External Relations and Chief of Staff
Paul E. Mullings	57	2005	Senior Vice President, Single Family Sourcing
Anurag Saksena	47	2005	Senior Vice President and Chief Enterprise Risk Officer
Jerry Weiss	50	2003	Senior Vice President and Chief Compliance Officer

The following is a brief biographical description of each of our executive officers who are not also nominees for election to our Board of Directors.

Robert E. Bostrom was appointed Executive Vice President, General Counsel and Corporate Secretary in February 2006. Prior to joining us, Mr. Bostrom was the managing partner of the New York office of Winston & Strawn LLP, a member of that firm’s executive committee and head of its financial institutions practice. Mr. Bostrom originally joined Winston & Strawn in 1990. From 1992 until 1996, Mr. Bostrom served as Executive Vice President of Legal, Regulatory and Compliance and General Counsel of National Westminster Bancorp.

Patricia L. Cook was appointed Executive Vice President, Chief Business Officer in June 2007. Prior to holding her current position, she served as our Executive Vice President, Investments and Capital Markets beginning in February 2005 and prior to that, she served as our Executive Vice President, Investments beginning in August 2004. Prior to joining us, Ms. Cook was Managing Director and Chief Investment Officer, Global Fixed Income at JPMorgan Fleming Asset Management from May 2003. Prior to joining JP Morgan Fleming, she was Managing Director and Chief Investment Officer, Fixed Income at Prudential Investment Management. From June 1991 to July 2001, Ms. Cook was Managing Director at Fisher Francis Trees and Watts. Prior to that, she worked in various management positions at Salomon Brothers, Inc. from January 1979 to June 1991.

Paul G. George was appointed Executive Vice President, Human Resources and Corporate Services in December 2006. He joined us in August 2005 as Executive Vice President, Human Resources. Prior to joining us, Mr. George was Senior Executive Vice President of Human Resources at Wachovia Corp. from January 2001 through December 2004. Prior to that, he was a member of Waste Management Inc.’s interim management team from 1998 to 1999. He also served for approximately nine years as Senior Vice President of Human Resources at United Airlines. Between 1985 and 1988 he was Vice President of Human Resources at Pacific Southwest

Executive Officers

Airlines. Prior to that he was a partner at Meserve, Mumper & Hughes, the second oldest law firm in Los Angeles.

Michael Perlman was appointed Executive Vice President, Operations and Technology in August 2007. Prior to joining us, Mr. Perlman was a managing director at Morgan Stanley until July 2007 where he developed operations and technology infrastructure to support their Fixed Income and Global Operations Divisions. Mr. Perlman also played significant roles in building Morgan Stanley's mortgage conduit and different financial services systems. Before joining Morgan Stanley in September 1997, Mr. Perlman was a founding partner at AT&T Solutions' Financial Services Group and a partner in the Washington, DC and New York offices of Deloitte & Touche, where he specialized in large-scale business and technology renovation.

Anthony S. Pizsel was appointed Executive Vice President and Chief Financial Officer in November 2006. Prior to joining us, Mr. Pizsel was Chief Financial Officer at HealthNet, one of the nation's largest publicly traded managed health care companies, from August 2004 to November 2006. Prior to that, he held a number of financial positions at Prudential Financial from 1998 to 2004, most recently as Senior Vice President and Corporate Controller. Prior to joining Prudential, Mr. Pizsel was an audit partner at Deloitte and Touche.

Kirk Die was appointed Senior Vice President and General Auditor in April 2006. Mr. Die joined us from MBNA Corp., where he served in a series of increasingly responsible roles from 1993. Most recently, as a result of MBNA's merger with Bank of America, he was the audit executive responsible for the combined Card Services Division. Prior to the merger, he was Senior Executive Vice President and Corporate General Auditor of MBNA. Prior to becoming Corporate General Auditor, Mr. Die managed the Operational, Business Development and Financial Audit Departments of MBNA. Prior to that, Mr. Die was a manager with Coopers & Lybrand (now PricewaterhouseCoopers LLP).

David B. Kellermann was appointed Senior Vice President — Corporate Controller and Principal Accounting Officer in March 2008. Prior to holding his current position, he served as our Senior Vice President, Business Area Controller, starting in October 2006. Prior to that appointment, Mr. Kellermann was Vice President, Strategy Execution and Integration from February 2005 until October 2006, during which time he also assumed responsibility for the Finance Program Management Office. Before that, Mr. Kellermann held the positions of Vice President, Valuation, Risk Management and Investment Process from November 2003 to February 2005 and Vice President, Mortgage Portfolio Investment Process from May 2003 to November 2003. Mr. Kellermann also held various other positions at our company since joining us in 1992, including Portfolio Management Director — Senior from March 2002 to May 2003.

Michael C. May was appointed Senior Vice President, Multifamily Sourcing in August 2005. Prior to this appointment, Mr. May served as our Senior Vice President, Operations starting in February 2005. He also served as Senior Vice President, Mortgage Sourcing, Operations & Funding from October 2003 to February 2005. Prior to that, Mr. May held the positions of Senior Vice President, Single Family Operations from July 2002 to October 2003 and Senior Vice President, Project Enterprise from January 2001 to July 2002. Mr. May also held various positions at our company since joining us in 1983, including Senior Vice President, Customer Services and Control, Vice President of Loan Prospector and Vice President of Structured Finance.

Hollis S. McLoughlin was appointed Senior Vice President, External Relations and Chief of Staff in June 2007. Prior to this appointment, Mr. McLoughlin served as our Senior Vice President, External Relations starting in January 2006. He also served as Senior Vice President and Chief of Staff from April 2004 to January 2006. From 1998, Mr. McLoughlin was Chief Operating Officer of two private equity-backed operating companies. Before that, he was one of the founding partners of Darby Overseas, a private equity partnership based in Washington, D.C. He has also been a senior executive at Purolator Courier, an overnight delivery company, and a privately held transportation company. From 1989 through 1992, Mr. McLoughlin served as Assistant Secretary of the Treasury under former President George H. W. Bush. He served as Chief of Staff to Sen. Nicholas Brady, R-N.J., in 1982 and to Rep. Millicent Fenwick, R-N.J., from 1975 to 1979.

Paul E. Mullings was appointed Senior Vice President, Single Family Sourcing in July 2005. Before joining us, Mr. Mullings was Senior Vice President of JPMorgan Chase and Mortgage Finance and Fair Lending Executive at Chase Home Finance. Prior to joining Chase Home Finance in 1997, Mr. Mullings was President and Chief Executive Officer of Mortgage Electronic Registration Systems, Inc. Mr. Mullings was also President and Chief Executive Officer of the residential mortgage division of First Interstate Bank, Los Angeles. Prior to First Interstate, he held a series of increasingly responsible senior management positions at Glendale Federal Bank, Glendale, California.

Anurag Saksena was appointed Senior Vice President and Chief Enterprise Risk Officer in August 2005. Prior to joining us, Mr. Saksena led Enterprise Risk Management at General Motors Acceptance Corporation from July 1999 to December 2004. In addition, Mr. Saksena founded Enterprise Risk Advisors, LLC. He has also held risk and portfolio management positions of increasing responsibility at Société Générale in New York, Royal Bank Financial Group in Toronto and Great-West Life Assurance Company in Winnipeg.

Jerry Weiss was appointed Senior Vice President and Chief Compliance Officer in October 2003. Prior to joining us, Mr. Weiss worked from 1990 at Merrill Lynch Investment Managers, most recently as First Vice President and Global Head of Compliance. From 1982 to 1990, Mr. Weiss was with a national law practice in Washington, D.C., where he specialized in securities regulation and corporate finance matters.

REPORT OF THE CHRC

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

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

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

COMPENSATION DISCUSSION AND ANALYSIS

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

Compensation Philosophy and Objectives

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

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

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

Compensation Discussion and Analysis

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

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

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

Role of Executive Officers and the Compensation Consultant

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

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

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

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

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

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

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

The CHRC engages Hewitt directly and requires management to disclose annually to the CHRC the work performed by and fees paid to Hewitt, including any work Hewitt performed for management. Pursuant to a policy on the selection and retention of outside advisors to the Board, the CHRC annually reviews and pre-approves any services that Hewitt will provide to management so that the CHRC can determine that Hewitt's acceptance of engagements and remuneration from management has not impaired the firm's ability to provide independent advice regarding management compensation to the CHRC.

During 2007, Hewitt advised the CHRC and the GNROC on senior management and non-employee director compensation and various other compensation and benefit related matters. Hewitt's work included: providing guidance for Mr. Syron's special performance award opportunity and amended employment agreement (as discussed under "Compensation Discussion and Analysis" below); providing competitive market data and advice on the award structure and implementation of performance RSUs; reviewing management's recommendations for 2007 executive officer compensation actions, and providing advice to the CHRC on compensation actions for these executives; reviewing executive compensation best practices; providing a Board compensation study based on non-employee director compensation market data for the Comparator Group (defined under "Compensation Discussion and Analysis" below), including providing perspective and recommendations; and reviewing all CHRC meeting materials. Fees for Hewitt's consulting advice to the CHRC and the GNROC for the year ended December 31, 2007 were approximately \$230,000, including travel expenses for attendance at committee meetings.

Hewitt also provided consulting services to management during 2007 in the general areas of compensation and benefits. Compensation services included: providing officer market compensation data and other competitive market information; consulting on the competitiveness and market perspective of short-term and long-term incentive design for non-executive officers; consulting on compliance with OFHEO's Examination Guidance for Compensation Practices; consulting on our 2007 proxy statement; providing guidance on the structure of non-executive officer-level new hire compensation packages; providing advice on compensation trends and practices; and responding to various ad-hoc compensation data requests. Benefits services included: consulting on retirement program investment and life insurance benefits; analyzing our benefits index; and providing ad-hoc benefit design studies. Fees for Hewitt's non-CHRC and non-GNROC related services for the year ended December 31, 2007 were approximately \$280,000, including travel expenses for attendance at meetings.

Evaluating and Targeting Executive Compensation

A number of factors are taken into consideration during the annual process to evaluate and set target compensation for the named executive officers, as discussed below.

To evaluate the named executive officer's current compensation compared to the competitive market, we review the compensation of executives in comparable positions at companies that are either in a similar line of business or are otherwise comparable for purposes of recruiting and retaining individuals with the requisite skills and capabilities. We refer to this group of companies as the Comparator Group.

We review and discuss the composition of the Comparator Group on an annual basis with the CHRC and Hewitt. In determining which companies to include in the Comparator Group, we examine several criteria, including the relevant labor market for talent and those companies with

which we compete for investment capital. To reflect the investment capital criterion, we examine those companies competing in the mortgage-backed securities sector. To reflect the relevant labor market, we examine industry segments and companies from which we have recruited and to which we have lost officer talent. For a more detailed discussion of the CHRC’s role in the annual process of evaluating, recommending and approving compensation for the named executive officers and the role of Hewitt, see “Corporate Governance — Interaction with and Independence of Compensation Consultant.”

A significant secondary factor that we take into account in determining the composition of the Comparator Group is organization scope. This factor focuses on companies in the relevant industry sectors that are comparable in asset/revenue size, operational scope, market capitalization, and profitability. Also relevant is the selection of companies from which we have the ability to obtain high quality, reliable, and consistent compensation data.

After considering these criteria, the CHRC selected the following companies in November 2006 as the Comparator Group for purposes of competitive compensation market analysis in 2007:

American Express	Lehman Brothers
American International Group	Mellon Financial (now Bank of New York Mellon)
Bank of America	MetLife
Capital One Financial Corporation	SLM (formerly known as Sallie Mae)
Citigroup	State Street
Countrywide	Suntrust Banks
Fannie Mae	U.S. Bancorp
Fifth Third Bancorp	Wachovia
Hartford Financial Services Group	Washington Mutual
J.P. Morgan Chase	Wells Fargo

We are not able to use the Comparator Group to obtain competitive compensation information for all named executive officers. For example, we do not use the Comparator Group when comparable executive positions do not exist in the Comparator Group or when available data are incomplete. In those instances, we use data from alternative widely used survey sources for financial services companies. In those cases in which the alternative survey sources do not identify executive positions comparable to our positions, we set compensation targets based on our best estimate of the relative scope and responsibilities of the position as compared to the scope and responsibilities of comparable positions within Freddie Mac for which survey data exist. For Ms. Cook’s position, Executive Vice President, Chief Business Officer and Mr. May’s position, Senior Vice President, Multifamily Sourcing, a reasonable match and/or sufficient data were not available in the Comparator Group and a survey by McLagan, an Aon consulting company, was used. Overall, we believe the companies that participated in the McLagan survey, financial services companies, appropriately represent our relevant labor market, and that the McLagan survey is an appropriate source of compensation data for jobs that cannot be found in the Hewitt survey of the Comparator Group. To protect the confidentiality of the companies participating, McLagan does not provide the identities of component companies of the surveys used in setting the compensation levels of Ms. Cook and Mr. May. For Mr. Perlman’s and Mr. Smialowski’s position (Executive Vice President, Operations and Technology), the Comparator Group data was provided to and considered by the CHRC. However, the CHRC determined that the Comparator Group positions were more technology-oriented and did not reflect the breadth of the operational responsibilities for

our position. Accordingly, a premium was applied to the data in an effort to account for the difference in scope of responsibilities. The CHRC also considered the compensation relationship between Freddie Mac’s position and other executive positions within the company, as well as publicly available information concerning the total direct compensation for a Fannie Mae executive with similar responsibilities. In setting the compensation targets for this position, as well as all other positions, the CHRC exercised its judgment in arriving at appropriate compensation levels taking into account available competitive market compensation data and other factors discussed under “Compensation Philosophy and Objectives.”

The CHRC applied the compensation philosophy and criteria described above at its March 3, 2007 meeting to set 2007 target total direct compensation for the named executive officers other than Mr. Perlman, who had not yet joined the company. In addition, on November 9, 2007, we entered into an amendment extending Mr. Syron’s employment agreement with us through December 31, 2009, pursuant to which Mr. Syron’s base salary effective July 1, 2007, his 2007 target bonus and his 2007 target long-term equity award were increased over the levels approved by the CHRC at its March 3, 2007 meeting. For more information, see “*Chief Executive Officer Special Performance Award Opportunity*” and “*Executive Compensation — Richard F. Syron*” below.

The following table shows the named executive officers’ target total direct compensation for 2007.

	<u>Base Salary</u>	<u>Target Bonus Expressed as Percentage of Annualized Base Salary</u>	<u>2007 Target Bonus⁽¹⁾</u>	<u>Target Long-Term Equity Award for 2007 Performance⁽²⁾</u>	<u>2007 Target Total Direct Compensation</u>
Mr. Syron ⁽³⁾	\$1,200,000	278%	\$3,336,000	\$9,400,000	\$13,396,000
Mr. Pizsel ⁽³⁾	\$ 650,000	155%	\$1,007,500	\$3,000,000	\$ 4,657,500
Ms. Cook	\$ 600,000	333%	\$2,000,000	\$2,600,000	\$ 5,200,000
Mr. Perlman ⁽³⁾	\$ 500,000	245%	\$1,225,000	\$1,525,000	\$ 3,250,000
Mr. May	\$ 418,000	115%	\$ 480,000	\$ 677,000	\$ 1,575,000
Mr. McQuade ⁽⁴⁾	\$ 900,000	180%	\$1,620,000	\$6,000,000	\$ 8,520,000
Mr. Smialowski ⁽⁵⁾	\$ 550,000	209%	\$1,150,000	\$2,100,000	\$ 3,800,000

- (1) Actual 2007 bonus payouts, paid in March 2008, for each named executive officer are shown in the Summary Compensation Table under “Bonus” and are discussed further under “2007 Annual Bonus Compensation” below.
- (2) Actual long-term equity incentives awarded in respect of performance during 2007, granted in March 2008, are shown below under “2007 Long-Term Equity Awards.”
- (3) The 2007 base salaries, 2007 target bonuses and target long-term equity award for 2007 performance for Messrs. Pizsel and Perlman were in accordance with their offer letters, and, in the case of Mr. Syron, his amended employment agreement.
- (4) Mr. McQuade resigned his position as President and Chief Operating Officer effective September 1, 2007.
- (5) Mr. Smialowski resigned his position as Executive Vice President, Operations and Technology effective June 30, 2007 but remained employed with the company until December 31, 2007.

After considering the factors discussed below, 2007 target total direct compensation for two of the named executive officers who are currently employed by Freddie Mac and who were employees for the entire 2007 calendar year was set by the CHRC below, and for two of the named executive officers at or above, the median level of total direct compensation for comparable executives in the Comparator Group or, as discussed above, based on alternative survey data.

At its March 3, 2007 meeting, the CHRC decided that Messrs. Syron’s and McQuade’s 2007 target total direct compensation, including their bonus targets, should remain unchanged from their

2006 levels. The 2007 bonus targets for Messrs. Syron and McQuade were conditioned on their executing waivers to their employment agreements so that their potential payments upon termination of employment (which, in some cases, take into account target bonuses) would be calculated based on the bonus target in their respective employment agreements, not the higher 2007 bonus targets. Pursuant to the terms of the November 9, 2007 amendment to his employment agreement, Mr. Syron's 2007 annual bonus target and long-term equity award target were increased in December 2007, and his base salary was increased effective July 1, 2007. At its March 3, 2007 meeting, the CHRC determined to increase Mr. Smialowski's annual bonus target and long-term equity award target for 2007. With the exception of Mr. Perlman, who joined the company in 2007, 2007 target total direct compensation for the remaining named executive officers was unchanged from their 2006 levels.

At the March 3, 2007 meeting at which the 2007 total direct compensation targets were approved, the CHRC approved a change in methodology used to calculate the number of RSUs subject to an award by eliminating the economic discount used in converting the approved dollar value of long-term equity awards into a specific number of RSUs. To offset the elimination of the economic discount, the CHRC adjusted upward the long-term incentive targets for all executives other than those with employment agreements or offer letters that provide for guaranteed long-term incentive targets. This change did not result in additional cost to the company and did not provide employees with greater value. See "RSUs — Valuation of RSUs" below for more information concerning the elimination of the economic discount.

During the CHRC's process to establish 2007 compensation targets for the company's executive officers, the CHRC reviewed data and discussed and considered the following for each named executive officer, except for Mr. Perlman, who had not yet joined the company:

- The major components of each executive officer's compensation;
- Competitive compensation data;
- An assessment of the executive officer's performance for the year;
- A tally sheet of total compensation and benefits paid to, or accrued for, each executive officer;
- The grant date value of all stock options and RSUs awarded;
- The estimated year-over-year actuarial increase in qualified and non-qualified pension benefits;
- The value of all outstanding equity awards, which includes all unvested RSUs, unvested stock options and unexercised vested stock options;
- Freddie Mac's actual cost of providing life insurance, disability insurance, and medical insurance to each executive officer;
- The annual interest accrual for participants in the Executive Deferred Compensation Plan;
- The estimated value and summary of various perquisites received; and
- The estimated potential value of compensation due if an executive officer were terminated by Freddie Mac on December 31, 2006 for reasons other than "for cause."

Prior to the determination of actual awards for performance in 2007, the CHRC reviewed updates to the information listed above for the named executive officers, as well as the following additional items for each of the named executive officers:

- A chart providing a visual and numerical summary of the total compensation mix for each executive officer;
- A tabular comparison of the executive's 2007 target compensation to the competitive market data;
- A chart illustrating the projected value of the executive's unvested equity that is scheduled to vest in the future, absent prospective awards, at three hypothetical stock prices; and
- A tabular comparison of the executive's equity that is owned outright versus equity that is "at risk."

Management's presentation of the value of outstanding equity awards was intended to provide the CHRC with a perspective on the "at risk" pay that a named executive officer would forfeit if he or she were to voluntarily terminate his or her employment with Freddie Mac. This value also provides the CHRC with a perspective on a competitor's potential cost if it were successful in an attempt to recruit one of our named executive officers and were to compensate such officer for forfeited equity. We consider each of these perspectives important when evaluating the retention risk for a named executive officer, setting target compensation, and recommending actual awards.

The CHRC does not seek to maintain any direct relationship between the various elements of compensation, or to standardize the mix of pay for executive officers. The CHRC believes, however, that, at a minimum, an executive officer's target long-term incentive award should generally be 40% of his or her target total direct compensation.

As part of the CHRC's regular decision-making process, the tally sheet provided to the CHRC for each executive officer discloses the executive officer's then-current post-termination benefits and other executive officer benefits. The tally sheet provides the CHRC with a comprehensive view of all components of compensation and benefits provided to an executive in order for the CHRC to assess the reasonableness of the total value of compensation and benefits provided. Historically, the level of an executive officer's post-termination benefits and other benefits has not directly affected the CHRC's analysis in determining any individual executive officer's target or actual base salary, annual bonus or annual long-term incentive award.

Compensation Structure

Our pay-for-performance philosophy is implemented by providing the named executive officers competitive base salaries, annual bonus opportunities, and long-term equity incentive opportunities. The named executive officers may also receive certain perquisites and other benefits.

Base Salary

As discussed under "Evaluating and Targeting Executive Compensation" above, the base salaries of our named executive officers, including the Chairman and Chief Executive Officer, are broadly based on salaries for comparable positions in the market. Base salaries take into consideration base salaries of comparable positions in the Comparator Group and alternative survey data, if applicable, and also reflect the named executive officer's job performance, future potential,

Compensation Discussion and Analysis

scope of responsibilities and experience. For each of the named executive officers, base salaries are consistent with the terms of his or her respective employment agreement or offer letter and are reviewed annually.

Annual Bonuses

Our annual cash bonus program is intended to motivate our named executive officers to work effectively to achieve both our annual corporate performance objectives and their individual performance objectives and to reward them based on achievement against such objectives.

The determination of the actual bonus payable to our named executive officers occurs at the end of an annual cycle that consists of several stages. For 2007, the first stage occurred at the March 3, 2007 CHRC meeting where, based upon recommendations from management and input from the full Board, the CHRC both approved the 2007 Bonus Funding Scorecard and concurred with an aggregate amount of funding to be made available for 2007 bonuses if all objectives on the 2007 Bonus Funding Scorecard were achieved.

The 2007 Bonus Funding Scorecard contained a balanced set of performance measures that integrated Freddie Mac's perennial and annual objectives, as follows:

- **Mission.** Meeting specific U.S. Department of Housing and Urban Development (HUD) goals and, to the extent consistent with the Interagency Guidance on non-traditional mortgage products and our stated position on subprime lending, HUD subgoals, for the percentage of mortgages purchased by Freddie Mac that fall into the categories of low- and moderate-income, underserved areas, and special affordable housing for 2007. See "Regulation and Supervision — Department of Housing and Urban Development — Housing Goals and Home Purchase Subgoals" in our Annual Report for a more detailed discussion of these goals and subgoals. The 2007 goals were as follows:

Housing Goals:

Low- and moderate-income goal:	55%
Underserved areas goal:	38%
Special affordable goal:	25%

Home Purchase Subgoals:

Low- and moderate-income subgoal:	47%
Underserved areas subgoal:	33%
Special affordable subgoal:	18%

- **Shareholder Value.** Accomplishing a number of specific financial goals in the categories listed below.
 - Growth of adjusted fair value. Adjusted fair value is an internal measure used to assess performance with respect to those drivers of fair value results that we actively seek to manage.
 - Fair value return on common equity. Our Annual Report discusses the changes in fair value and management's expectations concerning long-term fair value growth under "Management's Discussion and Analysis of Financial Condition and Results of Operations — Consolidated Fair Value Balance Sheets Analysis."
 - Guarantee portfolio growth. Accomplishing a specific growth goal for our credit guarantee portfolio.

- Achieving a specific market share in the conventional conforming mortgage market.
- Achieving a targeted return on equity for our purchases of single-family loans.
- Achieving a targeted return on equity for our net purchases of mortgage investments.
- Achieving a targeted debt option adjusted spread to LIBOR.

The Shareholder Value targets reflected aggressive assumptions regarding portfolio growth and profitability that would be very challenging to achieve due to significant external pressures and internal infrastructure challenges. The targets for adjusted fair value growth, market share in the conventional conforming market and debt option adjusted spread to LIBOR were set at levels somewhat above our actual results for 2006; the targets for guarantee portfolio growth and return on equity for net purchases of mortgage investments were maintained at levels comparable to our actual results for 2006; and the targets for fair value return on common equity and return on equity for our purchases of single-family loans were set at levels somewhat below our actual results for 2006. These adjustments were made to reflect anticipated market and competitive conditions in 2007. In particular, management and the CHRC considered the possible need for strategic choices between achieving the shareholder value objectives and achieving the company's mission and risk management objectives, given that actions to increase purchases of goal-qualifying mortgages could potentially detract from the accomplishment of the shareholder value objectives.

- **Accounting and Controls.** Returning to quarterly financial reporting and making substantial progress toward completion of our initiative, known as the Comprehensive Plan, to strengthen our controls related to financial operations and reporting and to remediate previously identified material weaknesses within our internal control processes, with priority focus on strengthening technology infrastructure and controls.
- **Touch More Loans.** Enhancing our acquisition, retention and disposition capabilities for non-standard mortgage products.
- **Employee Engagement.** Managing voluntary attrition to be equal to or lower than 11.5%, the 2006 rate.
- **Risk Management and Controls.** Advancing our enterprise risk management processes.
- **Efficiency.** Managing administrative expenses as a percentage of our average total mortgage portfolio to 8.4 basis points.
- **External Reputation.** Effectively managing our reputation.

There was no arithmetic weighting applied to the eight performance objectives. However, for 2007, the top priorities for corporate performance established by the CHRC were the achievement of the Accounting and Controls and Touch More Loans objectives, as achieving these objectives would substantially enhance our long-term capability to achieve our perennial objectives of Mission and Shareholder Value. Management designed the 2007 Bonus Funding Scorecard objectives with the understanding that achieving the performance goals would require not only strong financial performance by the company, but also the achievement of two additional performance categories, External Reputation and Efficiency, that management also believed would be difficult to accomplish in 2007. Management acknowledged that there was a significant possibility that several

of the objectives would not be achieved, in some cases for reasons beyond the control of the company.

Some of the performance criteria in the 2007 Bonus Funding Scorecard cannot be precisely quantified. Furthermore, to some extent, the achievement of one particular corporate goal can affect the company's ability to achieve one or more other goal(s), depending on financial market conditions. For example, maximizing some of the Shareholder Value metrics can, at least in some cases, be inconsistent with achieving some of the Mission goals (such as increasing the percentages of mortgages purchased in certain HUD-defined categories) that we are mandated to achieve as part of our federal charter or by our regulators.

Management recommended to the CHRC at its March 2007 meeting that an aggregate amount of funding for the 2007 bonus pool be established. The CHRC concurred with this funding level and with guidelines for adjusting the funding level based on changes in employee demographics, such as additional employees becoming eligible for annual bonuses.

2007 Annual Bonus Compensation

CHRC Assessment of 2007 Corporate Performance

With respect to the 2007 Bonus Funding Scorecard, at the January 31, 2008 CHRC meeting, management reported that we should be assessed as "below plan" because we did not achieve all of the performance measures contained within the Shareholder Value and Efficiency objectives. Additionally, we fell slightly short of expectations on the Mission and Touch More Loans objectives. The assessment of our performance against the 2007 Scorecard objectives was as follows:

- **Mission.** We fell slightly short of this objective. A combination of deteriorating conditions in the mortgage credit markets, decreased housing affordability that began in 2005, and regulatory changes made meeting the affordable housing goals and subgoals for 2007 more challenging than in previous years. Management reported to the CHRC that we achieved the HUD goals as well as the sub-goal for the percentage of mortgages purchased by Freddie Mac that fall into the category of underserved housing. We did not achieve the two HUD sub-goals for the percentage of mortgages that fall into the categories of low- and moderate-income and special affordable housing. We believe, however, that the achievement of these two sub-goals was infeasible in 2007. Accordingly, we have submitted an infeasibility analysis to HUD, which is in the process of reviewing our submission.
- **Shareholder Value.** We did not achieve all of the performance measures of this objective. In developing the performance goals for Shareholder Value, management made aggressive assumptions regarding portfolio growth and profitability before the deterioration in the housing market. We fell substantially short of the objective for fair value return on common equity, and also fell substantially short of the objective for return on equity for our purchases of single-family loans. We met or exceeded the remaining five financial measures. Achieving the two missed Shareholder Value objectives became increasingly difficult throughout the year due to deteriorating conditions in the housing and credit markets. In addition, although it was not a specific Scorecard measure, we considered the decline in our GAAP financial results when evaluating performance against the Shareholder Value measure.

- **Accounting and Controls.** We exceeded our objective with respect to Accounting and Controls. We returned to quarterly financial reporting in 2007 and believe we are on track to complete the Comprehensive Plan, which consists of fixing known issues (*i.e.* remediation of material weaknesses and significant deficiencies), identifying unknown risk and control issues, implementing system changes, and implementing close process improvements.
- **Risk Management.** We achieved our objective to advance our risk management processes. We integrated several key functions into the enterprise risk oversight function in order to strengthen the overall risk management process; our Enterprise Risk Oversight, Investments and Capital Markets and Finance divisions have jointly developed performance metrics for the 2008 Bonus Funding Scorecard; and a risk-based scenario approach to assess economic capital was completed. Finally, a mandatory employee risk management training program was implemented in June 2007.
- **External Reputation.** We achieved our objective of effectively managing our reputation risk despite the challenges posed by our financial results, a reduction in our dividend, and raising additional capital. We also continued to take a leadership role in the housing crisis through our \$20 billion subprime loan purchase commitment and have maintained industry support for the positions of the government-sponsored entities (the “GSEs”) on key legislative and regulatory issues.
- **Efficiency.** We did not achieve all of the Efficiency objectives. For 2007, administrative expenses as a percentage of our average total mortgage portfolio declined to 8.6 basis points, but were above the targeted goal of 8.4 basis points. While our core general and administrative expenses were at or below the target amount, our total administrative expenses increased substantially as a result of special initiatives required in 2007 to complete the Comprehensive Plan.
- **Touch More Loans.** We fell slightly short of this objective, which was modified mid-year for several reasons. First, within our single-family business, we adjusted the implementation of certain initiatives so that we could focus on helping customers weather impacts to their business and keep borrowers in their homes in light of deteriorating market conditions. Second, within our multifamily business, we focused on managing the significantly increased volume so that we could offer stability in this market. Third, we re-allocated resources to the Comprehensive Plan and information technology systems initiatives. Nevertheless, despite these mid-year changes, we believe both the product and infrastructure achievements towards the Touch More Loans objective were significant.
- **Employee Engagement.** We exceeded our objective to maintain the retention of critical talent. Our actual voluntary attrition rate was 9.3%.

After reviewing and discussing the information presented by management, the CHRC exercised its discretion in determining whether we achieved all or any portion of the Scorecard objectives and our performance relative to particular objectives, and agreed with management’s assessment that the company’s performance should be “below plan.” However, the CHRC also considered:

- The challenging market and regulatory conditions that prevailed during 2007;
- The degree of difficulty in achieving all of the elements for the eight objectives in the 2007 Bonus Funding Scorecard; and

- The entirety of our corporate performance, including both accomplishments captured on the 2007 Bonus Funding Scorecard and other notable accomplishments not addressed on the Scorecard that have better positioned the company, such as:
 - A successful offering of \$6 billion in preferred stock in December 2007, which substantially strengthened our capital position.
 - Our market-leading response to early signs of the subprime crisis.
 - The settlement of various litigation matters and the SEC’s investigation of Freddie Mac relating to the restatement.
 - Our absorption of significant and unplanned volume increases in single-family and multifamily loans as a result of the shifts taking place in the mortgage finance industry in 2007 (especially the departure of many private-label issuers of mortgage securities from the mortgage purchase market and the corresponding growth in purchases by Freddie Mac).

Additionally, the CHRC considered Freddie Mac’s results versus the objectives in light of the unique business conditions under which the company operates. Freddie Mac’s objectives require the company to balance optimizing the annual shareholder value performance measures, making business decisions that allow us to meet our Mission goals and that are in the best long-term interest of the company, and executing against annual objectives that take into account the guidance from OFHEO. After discussing management’s recommendation, the CHRC exercised its judgment to determine an appropriate level of funding for the 2007 corporate bonus pool. The bonus funding level that was approved by the CHRC was significantly less than the level agreed upon in March 2007 had the company achieved all its 2007 Bonus Funding Scorecard objectives. The CHRC did not consider what the 2007 bonus funding level would have been based solely on an assessment of “below plan” performance against the Scorecard objectives. No formulas or arithmetic methods were applied for calculating any specific funding level based on any specific performance level (*i.e.*, “below plan”, “on plan” or “above plan”). As discussed below, individual named executive officer bonus payments were determined in part on the basis of an assessment of such executive officer’s individual performance.

Individual Performance Assessments

The CHRC does not use predetermined arithmetic formulas to determine the compensation it deems appropriate for each individual executive officer, including the named executive officers; rather, determining appropriate compensation requires the exercise of judgment to balance quantitative as well as qualitative factors. The aggregate 2007 annual bonus awarded to each executive officer takes into account not only the company’s performance against the 2007 Bonus Funding Scorecard and the other company-wide factors described above, but also an assessment by the Chief Executive Officer of each executive officer’s and his or her division’s performance during the year, as discussed below, and the CHRC’s business judgment and discretion in determining the compensation it deems appropriate for each individual named executive officer. For the Chief Executive Officer, the CHRC, with input from the other non-employee members of the Board, assessed his performance during the year and applied the same discretion with respect to his compensation.

For 2007, a portion of the executive officer bonuses, other than Mr. Syron's, was delivered in RSUs with a three-year vesting schedule. Providing a portion of the bonus compensation in RSUs reinforces the linkage between the executive officers' performance and shareholder value. The three-year vesting schedule offers an additional retention element, the ultimate value of which is tied to shareholder value.

The following table summarizes the annual bonus awards made to the named executive officers for their performance during 2007:

	For Performance During 2007			
	Target Bonus	Actual Cash Bonus	Actual Cash Bonus as % of Target Bonus	Supplemental RSU Bonus
Mr. Syron	\$3,336,000 ⁽¹⁾	\$2,200,000 ⁽²⁾	66%	\$ 0
Mr. Pizsel	\$1,007,500 ⁽¹⁾	\$1,350,000	134%	\$200,000
Ms. Cook	\$2,000,000	\$1,400,000	70%	\$200,000
Mr. Perlman	\$1,225,000 ⁽¹⁾	\$1,225,000	100%	\$ 50,000
Mr. May	\$ 480,000	\$ 465,000	97%	\$ 75,000
Mr. McQuade ⁽³⁾	\$1,620,000	n.a.	n.a.	n.a.
Mr. Smialowski ⁽⁴⁾	\$1,150,000	\$1,150,000	100%	n.a.

- (1) In accordance with Mr. Pizsel's and Mr. Perlman's offer letters and Mr. Syron's amended employment agreement, respectively.
- (2) For 2007 performance only. Excludes a special extension bonus of \$1,250,000 that is reported for Mr. Syron in the Summary Compensation Table below. The special extension bonus was paid to Mr. Syron in December 2007 for his agreement to extend the terms of his employment agreement. See "Executive Compensation — Employment and Separation Agreements — *Richard F. Syron*."
- (3) Mr. McQuade terminated his employment effective September 1, 2007 and did not receive an annual bonus in respect of his performance in 2007.
- (4) Mr. Smialowski resigned his position as Executive Vice President, Operations and Technology effective June 30, 2007 and terminated his employment effective December 31, 2007. The cash bonus reported was paid on January 31, 2008 pursuant to his transition period agreement, which became effective June 29, 2007. See "Executive Compensation — Potential Payments Upon Termination or Change in Control — *Joseph A. Smialowski*" below.

Mr. Syron

Mr. Syron's individual 2007 performance was evaluated based on the company's performance against the 2007 Bonus Funding Scorecard objectives and other achievements not reflected on the Scorecard. Despite the fact that a substantial portion of the 2007 Bonus Funding Scorecard objectives were achieved, in determining Mr. Syron's 2007 bonus, the CHRC considered the financial performance of the company during the year, the "below plan" performance on the Efficiency Scorecard objective and a modest shortfall on the Mission and Touch More Loans Scorecard objectives. Mr. Syron's 2007 bonus also reflects the fact that he is accountable for the success of the organization and for assuring that the pay-for-performance philosophy is executed through compensation decisions.

In its evaluation of Mr. Syron's 2007 performance, the CHRC also determined that, notwithstanding the financial performance of the company during 2007, the company, under Mr. Syron's leadership, substantially achieved or exceeded a number of the non-financial 2007 Scorecard performance objectives designed to build long-term shareholder value. As discussed under "*CHRC Assessment of 2007 Corporate Performance*" above, Mr. Syron also led the accomplishment of a number of objectives above and beyond the 2007 Scorecard. Furthermore, Mr. Syron has effectively carried out the duties of both the Chief Executive Officer and President

since Mr. McQuade, the company's former President and Chief Operating Officer, announced his departure in May 2007. Mr. Syron will continue to fulfill both of these roles until a successor Chief Executive Officer is appointed. In the CHRC's view, through Mr. Syron's leadership, the company is leading the home mortgage industry through the subprime crisis by establishing appropriate guidelines regarding subprime lending practices and responding to the needs of a mortgage market that continues to experience severe volatility.

The CHRC determined that the Chief Executive Officer's total actual 2007 direct compensation was appropriate after taking into account the factors described above, as well as the following:

- our Chief Executive Officer's total direct compensation level is consistent with competitive market practices, as reflected by Chief Executive Officer pay in our Comparator Group;
- our Chief Executive Officer has a much broader scope of responsibility than that of other executive officers within the company;
- our Chief Executive Officer has been carrying out the duties of both the Chief Executive Officer and President since mid-2007; and
- our Chief Executive Officer is the primary leader responsible for external representation.

Mr. Pizel

Mr. Pizel's performance for 2007 was evaluated primarily based on the company's performance against one of the most critical 2007 Bonus Funding Scorecard objectives – Accounting and Controls – and other division-specific performance objectives that Mr. Syron established for 2007. The CHRC agreed with management's assessment that, under Mr. Pizel's leadership, we achieved "above plan" performance on the Accounting and Controls scorecard objective. More specifically, Mr. Pizel was able to exceed this objective by directing our return to quarterly financial reporting in 2007 and substantially completing the Comprehensive Plan. The company also successfully designed and implemented controls for our financial reporting. Additionally, we have strengthened our internal controls during 2007 by achieving a number of significant milestones. For more information, see "CONTROLS AND PROCEDURES — Internal Control Over Financial Reporting" in the accompanying Annual Report. With respect to additional achievements not captured by the 2007 Bonus Funding Scorecard, the CHRC also determined that Mr. Pizel quickly developed a plan for SEC registration and has made substantial progress executing on the plan.

Ms. Cook

Ms. Cook's performance for 2007 was evaluated based on the company's performance against several 2007 Bonus Funding Scorecard objectives and other division-specific performance objectives that Mr. Syron and Ms. Cook established for 2007. On the three 2007 Bonus Funding Scorecard objectives for which Ms. Cook was primarily responsible, the CHRC agreed with management's assessment that we fell slightly short on two (Mission and Touch More Loans), and were farther below plan on one (Shareholder Value). With respect to additional achievements not captured by the 2007 Bonus Funding Scorecard, however, the CHRC agreed with management's assessment that Ms. Cook played a significant role in our December 2007 \$6 billion preferred stock offering and our market-leading response to early signs of the subprime crisis. In addition,

Ms. Cook assumed formal responsibility for three additional divisions in June 2007 and has been informally responsible for these areas since late 2006 without any adjustment to her compensation.

Mr. Perlman

Because Mr. Perlman joined Freddie Mac in August 2007, his performance was not assessed based on 2007 Bonus Funding Scorecard objectives. The CHRC agreed with management's assessment that Mr. Perlman has had an immediate impact on moving forward several major initiatives. For example, his leadership and business expertise enabled us to progress significantly on the Comprehensive Plan with respect to the remediation of several material weaknesses and significant deficiencies in our internal controls. The CHRC also agreed with management's assessment that Mr. Perlman played a significant role in our ability to absorb the significantly increased and unplanned volume of multifamily loans in 2007 by reallocating staff, adopting a variety of efficiencies, and utilizing outsourcing in order to provide capacity to our business units and our customers. More importantly, we were able to absorb this additional volume without increasing our general and administrative costs and without incurring significant disruptions. Further, the CHRC agreed with management's assessment that Mr. Perlman has made progress in improving efficiency in the operations and technology division, including substantially reducing our reliance on external contractors.

Mr. May

Mr. May's performance for 2007 was evaluated based on one of the company's 2007 Bonus Funding Scorecard objectives, division-specific performance objectives that Ms. Cook and Mr. May established for 2007, and other accomplishments. On the 2007 Bonus Funding Scorecard objective for which Mr. May had the greatest influence (Touch More Loans), we fell slightly short of our objective. With respect to the division-specific objectives, Mr. May accomplished several initiatives to ensure that the Multifamily division is prepared to meet future challenges and substantially accomplish the division's financial objectives. A new organizational structure was developed and implemented to achieve the business objective of enhancing the speed of service to effectively meet the needs of customers. Additionally, the Multifamily division met the market demand and processed record volumes in the second half of the year, which included the largest transaction in the history of the division.

Chief Executive Officer Special Performance Award Opportunity

In connection with Mr. Syron's extension agreement in November 2007, the CHRC and other non-employee directors approved the establishment of a special, one-time cash performance award opportunity for Mr. Syron. The award opportunity was designed to provide additional incentive and recognition for the completion of key tasks over the period from June 1, 2007 through September 30, 2009. These key tasks are beyond the performance measures established by the 2007 Bonus Funding Scorecard. This award is consistent with our pay-for-performance philosophy, which requires the demonstration and evaluation of performance prior to payment. The award is subject to the conditions outlined in Mr. Syron's amended employment agreement and Mr. Syron may not defer payment of this award until a later date.

The CHRC first set the parameters of the award and developed a list of critical infrastructure, control and cultural objectives that would significantly benefit shareholder interests over the two-year period. The CHRC believed that, if accomplished, these achievements would result in

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substantial enhancement of shareholder value. The maximum amount payable under this award would place Mr. Syron's compensation between the 50th and 75th percentile of the Comparator Group data. After receiving advice from Hewitt, the CHRC concluded that this would be appropriate compensation for superior levels of performance. The agreement was reviewed by OFHEO.

The performance determination will be made by the CHRC at a meeting in the third quarter of 2009. The actual payment, if any, will be made as soon as administratively practicable following the determination of performance, but no later than October 31, 2009.

The amount of the actual award will range from \$0 to \$6 million, with no guarantee that any payment will be made. The specific award amount will be determined by the CHRC, in its sole discretion, based on a reasonable relationship to the number and relative significance and/or strategic value of performance milestones (described below) that the company achieves either in whole or part over the performance period. In determining the actual award amount to be paid to Mr. Syron, the CHRC will obtain and consider the views of the other non-employee directors. The CHRC will also consider Mr. Syron's actual compensation under our standard annual compensation program during the performance period, and how it compares to the compensation of Chief Executive Officers in the Comparator Group.

<u>Payout Level</u>	<u>Award Size as % of Target</u>	<u>Description</u>
Minimum	0%	No milestones achieved
	1% – 99%	Some, but not all milestones are achieved in whole or part as described above.
Maximum	100%	All milestones achieved

The performance milestones*, which will be measured from June 1, 2007 through September 30, 2009, are:

- Remediate all material weaknesses and significant deficiencies disclosed in the 2006 annual report dated March 23, 2007.
- Return to timely and sustainable financial reporting with the expectation that we will achieve compliance with Section 404(a) of the Sarbanes-Oxley Act of 2002 with the issuance of our 2009 financial statements and substantial completion of each element of the Comprehensive Plan.
- Make material improvements in the information technology (IT) infrastructure. [Sustained and reliable operation of IT general controls, remediation of all technology-related material weaknesses and significant deficiencies, consistent application of the systems development life cycle, progress on the development of an end-to-end platform for distributing credit risk exceeding the company's risk profile, completion of systems work necessary to support SEC registrant reporting, timely completion of major system projects as reported from time to time to the Mission, Sourcing and Technology Committee, improving ability of legacy systems to interface easily with external, third-party IT solutions.]
- Complete SEC registration under the Exchange Act.

* Information/data listed in brackets following certain measures are the type of information, both objective and subjective, which the CHRC will take into consideration in determining whether the milestone has been achieved.

- Manage a smooth succession process for the Chief Executive Officer position. [Quality of the Chief Executive Officer search process, speed and success of integrating the new Chief Executive Officer into the company's management team, success in transitioning day-to-day business operations responsibilities to the new Chief Executive Officer.]
- Substantially enhance the leadership strength of our executive team and the Board. Enhance the level of alignment and collaboration within both our executive team and the Board. [Increase in ready-now candidates for critical succession roles, increase success in filling critical succession roles with internal candidates, increase representation of minority and female officers, success expanding key experience/competency needs when new Board members are selected.]
- Improve the company's ability to identify and respond to new mission needs and capital market changes and execute on those opportunities that enhance our housing mission and long-term shareholder value. [Success aligning the company's efforts to improve its financial performance consistent with our mission, success helping shape the new affordable housing goals to focus on delivering housing opportunity directly to our mission constituents, success developing and delivering to market viable, non-predatory sub-prime loan products, providing liquidity, affordability and stability to residential mortgage markets.]
- Demonstrate substantial progress toward embedding a pay-for-performance culture. [Increasing the level of bonus differentiation versus 2005 results, maintaining an appropriate distribution of performance ratings that aligns with business performance, maintaining bonus payouts linked directly to actual performance against annual Scorecard, utilizing performance features in multiple elements of the pay structure for executive officers.]
- Demonstrate substantial progress in managing the company within the current and future legislative and regulatory framework. [Informing regulators, Congress and industry groups on the impact of proposed legislative and regulatory actions on the GSEs and providing constructive solutions to respond to legislative and regulatory changes and concerns; addressing concerns raised by Congress, regulators and industry groups regarding how GSEs fulfill their mission as well as concerns regarding potential safety and soundness issues; achieving compliance with the rules and standards under which the GSEs will operate.]
- Achieve meaningful enhancement of shareholder economic value. [Determining appropriate metrics to measure fair value; year-over-year adjusted GAAP results; return on capital; changes in market share; credit performance; quality and effectiveness of profitability measures.]

The accomplishment of most or all of these milestones would result in a dramatic transformation of the company as compared to its position in late 2003, when Mr. Syron assumed leadership.

The CHRC is responsible for exercising its judgment at the end of the performance period to assess all relevant information, including the information outlined above, to determine the extent to which the performance milestones have been achieved in whole or part (as defined above), in deciding what amount, if any, of the award opportunity should be paid.

This is a special award intended to recognize the achievement of specific performance criteria prior to September 30, 2009. Our normal plan termination provisions do not apply to this opportunity. In the event of death, disability or involuntary termination by us without cause or

termination by Mr. Syron for Good Reason (as such term is defined in Mr. Syron's Employment Agreement) prior to September 30, 2009, the entire award will be forfeited unless the CHRC, in its sole discretion, determines that some or all of the performance milestones had been achieved prior to the event of death, disability, or involuntary termination by us without cause or termination by Mr. Syron for Good Reason. In the event of termination by us for cause or voluntary termination by Mr. Syron other than for Good Reason prior to September 30, 2009, the entire award will be forfeited.

The November 9, 2007 amendment to Mr. Syron's employment agreement includes an escrow provision under which up to \$4 million of the special performance award payment would, under specified circumstances, be escrowed for a period of one year after the payment of the award.

2007 Long-Term Equity Awards

A significant portion of our named executive officers' compensation is in the form of long-term equity awards, to ensure that the executive officers' financial interests are well aligned with the long-term interests of our stockholders. In addition, long-term equity compensation is a key component of our compensation structure that enables us to motivate leaders and key employees and encourage them to provide long-term service.

In setting the target long-term equity awards for 2007 for each of the named executive officers, the CHRC considered the factors discussed under "Evaluating and Targeting Executive Compensation" above and the terms of our named executive officers' employment agreements and offer letters.

Awards granted to named executive officers in March 2008 for performance in 2007 were entirely in the form of RSUs. As discussed below under "RSUs," a portion of these RSUs are subject to a performance-based vesting condition. The value of the equity awards increases or decreases with changes in the value of Freddie Mac stock. The equity awards thus focus executives on improving the long-term value of Freddie Mac through continued productive service subsequent to the date of the award.

In March 2008, the CHRC determined the actual RSU awards to the named executive officers in respect of 2007 performance. Overall, the CHRC determined it was appropriate that each of the named executive officers' actual award was equal to or greater than their target, despite the challenging market and regulatory conditions that prevailed during 2007. The CHRC made this decision in order to recognize that a number of actions and accomplishments by management better position the company for the future. The individual executive's amount of these long-term equity awards was based on a number of factors, including:

- The executive's performance and contribution during 2007, as discussed under "2007 Annual Bonus Compensation — *Individual Performance Assessments*" above;
- The executive's potential for making future contributions and ability to assume greater responsibility and leadership roles;
- The engagement and retention of the executive;
- Criticality of the executive's skills;

- The executive’s total direct compensation compared to competitive market levels; and
- The performance of the company against the 2007 Bonus Funding Scorecard.

Messrs. McQuade and Smialowski were no longer with the company and did not receive a long-term equity award for 2007.

The following table summarizes targets and the value of long-term equity awards actually granted to the named executive officers for their performance during 2007:

	For Performance During 2007 ⁽¹⁾		
	Target Long-Term Equity Award	Actual Award	Actual Award as % of Target
Mr. Syron	\$9,400,000 ⁽²⁾	\$10,000,000	106%
Mr. Pizsel	\$3,000,000 ⁽²⁾	\$ 3,200,000	107%
Ms. Cook	\$2,600,000	\$ 2,800,000	108%
Mr. Perlman	\$1,525,000 ⁽²⁾	\$ 1,600,000	105%
Mr. May	\$ 677,000	\$ 677,000	100%
Mr. McQuade ⁽³⁾	\$6,000,000	n.a.	n.a.
Mr. Smialowski ⁽⁴⁾	\$2,100,000	n.a.	n.a.

- (1) The long-term equity awards in respect of performance during 2007 were granted in March 2008 and will also be reported in our 2009 proxy statement.
- (2) In accordance with Mr. Pizsel’s and Mr. Perlman’s offer letters and Mr. Syron’s amended employment agreement, respectively.
- (3) Mr. McQuade terminated his employment effective September 1, 2007 and did not receive a long-term equity award in respect of his performance during 2007.
- (4) Mr. Smialowski terminated his employment effective December 31, 2007 and did not receive a long-term equity award in respect of his performance during 2007.

RSUs

General. An RSU represents a conditional contractual right to receive one share of our common stock at a specified future date subject to certain restrictions (*i.e.*, the vesting period, and, in certain cases, performance-based conditions or criteria). The underlying stock is not issued until the restrictions lapse, at which time the RSU is settled or, if previously elected by the grantee for grants made prior to 2008, deferred. See “Other Executive Benefits, including Perquisites and Retirement Benefits — Executive Deferred Compensation and Supplemental Executive Retirement Plan” below for more information regarding the deferral of RSUs. In the event a cash dividend is declared and paid on our common stock, holders of RSUs will receive dividend equivalents, paid out in cash promptly after the payment date for such dividend, equal to the number of RSUs held by the executive officer multiplied by the dividend paid on each outstanding share of our common stock. RSUs do not have voting rights because they are not considered legally issued or outstanding shares.

RSUs granted as part of annual long-term equity awards generally vest in four installments at the rate of 25% on each anniversary of the grant date. Of the awards of RSUs made to our named executive officers in March 2008 for their 2007 performance, 25% are subject to an additional performance vesting criterion. The satisfaction of this requirement will be determined in the sole discretion of the CHRC. In order for these RSUs to be considered earned, the CHRC must determine no later than March 31, 2009 that management completed the process of registering our common stock with the SEC. If earned, these RSUs will be subject to the same time-based vesting

as the other RSUs held by our named executive officers and will vest with respect to 25% of the award in March 2009, 2010, 2011 and 2012.

As reported in our May 7, 2007 proxy statement, of the awards of RSUs made to our named executive officers in March 2007 for their 2006 performance, 25% also were subject to an additional performance vesting criterion. At its January 31, 2008 meeting, the CHRC determined that this criterion was met. The CHRC determined that the company is in a substantially better position to compete in the marketplace as compared to the company's positioning at the beginning of 2007 due to substantial progress improving controls, preparing for a return to timely financial reporting and for SEC registration, improving risk management capabilities, improving the pay-for-performance culture, retaining key staff, and assuring sufficient capitalization to weather the mortgage market downturn.

Valuation of RSUs. In awarding RSUs, the CHRC first approves a dollar value of the RSUs to be awarded. The number of RSUs awarded to each executive officer is then calculated by dividing the dollar amount of the award by the closing price of our common stock on the date of grant.

In 2006, the CHRC decided to eliminate the use of an economic discount in converting the approved dollar value of long-term equity awards into a specific number of RSUs. The discount had been applied to the fair market value of the company's common stock on the date of RSU grants, and had the effect of increasing the specific number of RSUs awarded in order to reflect the risk of forfeiture during the restricted period. The CHRC requested that management develop an economically neutral transition plan in order to minimize the impact of the elimination of the discount on award recipients. At the March 3, 2007 meeting, the CHRC approved a change in the methodology used to calculate the number of RSUs subject to an award by eliminating the economic discount. The change in methodology resulted in the value of the RSU portion of the long-term equity award being adjusted upwards by approximately 11% for Ms. Cook and Messrs. May and Smialowski. This change in methodology resulted in an economically neutral outcome from the company's perspective. It did not result in additional cost to the company and did not provide the employee with greater value, because the upward adjustment of the long-term equity award targets was offset by the elimination of the economic discount in determining the specific number of RSU awards.

For Messrs. Syron and McQuade, this change in methodology was not applicable and, for Mr. Syron, will not be applicable in the future, because in 2006 they requested not to have their target long-term equity awards adjusted upward. Additionally, this adjustment is not applicable to Mr. Pizsel, or other executive officers with an employment agreement or offer letter that sets forth a defined dollar value for the annual long-term equity award.

Stock Options

General. Each stock option entitles its holder to purchase one share of our stock at its fair market value on the date that the option was granted. Stock options granted as part of long-term incentive awards generally vest in four installments at the rate of 25% on each anniversary of the grant date. For example, the stock options granted to executive officers in June 2006 vested with respect to 25% of the award in June 2007 and will vest with respect to 25% of the award in each of June 2008, 2009, and 2010. The company has not granted stock options to executive officers since June 2006.

Valuation of Stock Options. To determine the number of stock options for the annual award, the CHRC first approves a dollar amount of stock options to be awarded. On the grant date, that dollar amount is converted into a number of shares of common stock subject to the stock option using a Black-Scholes model for the valuation of stock options. The exercise price of stock options is equal to the fair market value of a share of our common stock on the grant date. At the time of the June 2006 grant of stock options, fair market value was defined by the 2004 Employee Plan as the average of the high and low prices of a share of our common stock on the grant date as reported in *The Wall Street Journal's* composite transactions table for New York Stock Exchange listed securities. On December 7, 2006, the CHRC approved an amendment to the 2004 Employee Plan to change the definition of fair market value that is used for purposes of determining the exercise price of stock options, from the average of the high and low prices to the closing price of our stock on the date of grant.

Proportion of Long-Term Incentives Awarded in RSUs and Stock Options

Awards made in 2008 for performance by the named executive officers in 2007 were solely in the form of RSUs. The CHRC's decision to deliver the annual long-term incentive award in RSUs was determined as part of its annual review of executive compensation. Factors considered included long-term incentives that are appropriate for internal desired outcomes, competitive market practices at both the companies in the Comparator Group and the financial services industry, and the greater retention value of RSUs versus stock options. A major consideration in the CHRC's decision to use solely RSUs was the CHRC's conclusion that during our ongoing restructuring period, RSUs better achieved a number of internal objectives, including:

- motivating leaders and key employees and encouraging them to provide long-term service without undue focus on short-term changes in stock price; and
- increasing the immediate "at risk" equity value to assist in maximizing retention to maintain stability in leadership and key contributor roles.

Other Executive Benefits, Including Perquisites and Retirement Benefits

Generally Available Benefits

Health and Welfare Plans

The named executive officers are eligible to participate in employee benefit programs and plans that are generally available to all full-time and part-time employees (subject to fulfilling certain eligibility requirements). These include benefits such as our active employee health and welfare plans (including medical, dental, vision, group life insurance, accidental death and personal loss insurance and employee assistance benefits), as well as other programs such as our Employee Stock Purchase Plan (the "ESPP"). In designing these benefits we seek to provide an overall level and mix of benefits that is competitive with those offered by companies in our Comparator Group.

Tax-Qualified Defined Benefit and Defined Contribution Retirement Plans

The named executive officers are eligible to participate in our broad-based tax-qualified retirement plan ("Pension Plan") and savings plan (the "Thrift/401(k) Savings Plan"), on the same terms as other employees. For additional information on these two plans, including the present value of accumulated benefits under the Pension Plan for each of the named executive officers, see

Compensation Discussion and Analysis

the “Summary Compensation” and “Pension Benefits” tables and narrative disclosures in the “Executive Compensation” section below.

Executive Deferred Compensation and Supplemental Executive Retirement Plans

During 2007, the named executive officers were eligible to participate in the Freddie Mac 2002 Executive Deferred Compensation Plan, or the Executive Deferred Compensation Plan, which allowed them to elect to defer a portion of their annual salary and all of their cash bonus and the settlement of their RSUs received under our stock plan. Effective January 1, 2008, the Executive Deferred Compensation Plan has been amended and restated to redesign the plan and bring the plan into documentary compliance with Code Section 409A. Among the changes made to the plan is the prospective elimination of the deferred settlement of RSUs for RSUs granted in 2008 and later years and a limitation on the amount of annual salary that may be deferred equal to 80% of such salary. The named executive officers were eligible to defer settlement of RSUs granted in 2007. While Mr. May has a deferred compensation balance, none of our named executive officers deferred receipt of salary or bonus under the Executive Deferred Compensation Plan in 2007. Mr. Perlman deferred the settlement of his sign-on award RSU grant received in 2007. For more information, see “Executive Compensation — Non-Qualified Deferred Compensation” below.

The named executive officers were also eligible to participate in the Freddie Mac Supplemental Executive Retirement Plan (SERP) during 2007. This plan was also amended and restated effective January 1, 2008 to redesign the plan and bring the plan into documentary compliance with Code Section 409A. This plan has two components, one of which corresponds to the Pension Plan and the other of which corresponds to the Thrift/401(k) Savings Plan. The Pension SERP Benefit (which used to be called the “Restoration Benefit” prior to the SERP’s restatement) provides participants with the full amount of benefits to which they would have been entitled under the Pension Plan if that plan (1) was not subject to certain limits on compensation and benefits that can be taken into account under the Code and (2) did not exclude from compensation amounts deferred under our Executive Deferred Compensation Plan. The Thrift/401(k) SERP Benefit (which used to be known as the “Make-Up Contribution” prior to the SERP’s restatement) provides participants with the full amount of benefits to which they would have been entitled under the Thrift/401(k) Savings Plan if that plan (1) was not subject to certain limits under the Code and (2) did not exclude from compensation amounts deferred under our Executive Deferred Compensation Plan. We believe that the SERP is an appropriate benefit because offering such a benefit helps us remain competitive with companies in our Comparator Group.

For specific information on the accruals and earnings under the Thrift/401(k) SERP Benefit for each of the named executive officers, see the “Non-qualified Deferred Compensation” table and accompanying narrative disclosures below. For a summary of our pension benefit obligations to the named executive officers, including under our tax-qualified pension plan and the Pension SERP Benefit, see the “Pension Benefits” table and narrative disclosures below.

Perquisites and Additional Life and Disability Insurance Payments

Certain perquisites are made available to our named executive officers. These include financial planning services, relocation reimbursements and related tax gross-ups, home security systems (Chief Executive Officer and Chief Operating Officer only), personal use of a car and driver for commuting transportation in the Washington, D.C. area and related tax gross-ups (Chief Executive Officer and Chief Operating Officer only), payment of spousal business travel and spousal dining

costs for business purposes and related tax gross-ups, and the accompaniment of spouses and other family on charter aircraft business travel so long as there is no incremental cost to the company. These types of perquisites are common among executives in our industry. In addition, providing them as perquisites (as opposed to increasing base salary in an amount designed to compensate for the loss of these perquisites) avoids the increase that would otherwise occur in certain other benefit costs that are based on the level of an executive's base salary. Further details regarding these perquisites are contained in the Summary Compensation Table and accompanying footnotes. The Summary Compensation Table also details certain payments for life and disability insurance made on behalf of the named executive officers.

Post-Termination Compensation

The named executive officers may receive certain payments or benefits at, following, or in connection with a change in control of Freddie Mac, a change in the named executive officer's responsibilities, or a named executive officer's termination, including resignation, severance, retirement or constructive termination. These payments are described in detail in "Executive Compensation — Potential Payments Upon Termination or Change in Control" and "Executive Compensation — Employment and Separation Agreements", where the specifics of the employment agreement, offer letter or separation arrangement applicable to each named executive officer are explained.

The termination provisions differ significantly among the named executive officers, all of whom, with the exception of Mr. May, have either employment agreements or offer letters with certain minimum compensation guarantees. These differences grew out of the different negotiations that occurred with respect to the employment of the named executive officers, all of whom, with the exception of Mr. May, were hired after the restatement, between December 31, 2003 and August 1, 2007. During the negotiations with our named executive officers, we relied on the advice of Hewitt and competitive market survey data in the financial services industry provided by Hewitt in structuring the post-employment compensation arrangements. Each arrangement was entered into following arms-length negotiations with the named executive officer. In addition, each post-employment compensation arrangement was submitted to OFHEO for its review and approval pursuant to statutory and regulatory requirements that OFHEO determine whether termination benefits to be provided to our executive officers are comparable to benefits that would be provided to officers of other public and private entities involved in financial services and housing interests who have comparable duties and responsibilities. In light of the restructuring efforts that began in 2003 and which are still underway and the relatively late stages in their careers of some of our new named executive officers, it was not unexpected that a condition of their accepting employment was our provision of significant protections if their employment is terminated without cause or they terminate for good reason during the early years of their employment with us.

Compensation Committee Discretion

The CHRC retains the discretion to decrease all forms of incentive payouts based on significant individual or company performance, subject, in certain cases, to the terms of a named executive officer's employment agreement or offer letter. Likewise, the CHRC retains the discretion to increase payouts and/or consider special awards for significant achievements.

Timing of Equity Grants

Freddie Mac has a policy for the dating of equity grants, including annual long-term equity incentive awards and other awards such as sign-on awards. In recommending the effective date of grant for the annual long-term equity incentive award to all eligible employees, including named executive officers, management considers, based on discussions with our Legal Division, the timing of the release of material, non-public information and other risks. If there is no material non-public information pending, then the recommended effective date is the date of the meeting at which the award is approved by the CHRC. If there is material non-public information pending, the effective date of grant is deferred to the third business day after the date of the public announcement and release of the material non-public information. Neither management nor the CHRC have in the past or plan in the future to time the release of material non-public information for the purpose of affecting the value and amount of equity incentive awards.

In the case of sign-on awards, the policy requires that the effective date of grant is the next regularly scheduled meeting of the CHRC following the CHRC's approval and the individual's first date of employment, even if the CHRC decides not to meet on such date. With respect to stock-based incentive awards other than annual awards and sign-on awards, and subject to deferral of effective dates of grant until the third business day after public release in the case of pending material non-public information, the effective date of grant is generally the date of the meeting at which the award is approved by the CHRC, subject to deferral as described above for annual awards.

Adjustment or Recovery of Awards

Our standard RSU and stock option award agreements provide that any unvested RSUs and any unexercised stock options, whether or not vested, would be immediately canceled and forfeited and that the recipient would be required to repay all after-tax gains recognized upon the vesting of RSUs or exercise of our stock options under the award in the event that the employee seeks or accepts employment with one of our competitors. After we register our common stock with the SEC we will become subject to Section 304 of the Sarbanes-Oxley Act, which provides that if we are required to restate our financials due to material noncompliance with any financial reporting requirements as a result of misconduct, our Chief Executive Officer and our Chief Financial Officer must reimburse us for (1) any bonus or other incentive-based or equity-based compensation received during the 12 months following the first public issuance of the non-complying document, and (2) any profits realized from the sale of our securities during those 12 months. Additionally, OFHEO could require us to seek to include language regarding adjustments or return of prior stock awards in employment agreements we may seek to enter into in the future.

Stock Ownership Guidelines

We expect our directors and officers to own our common stock. A significant portion of director and executive compensation is paid in common stock, as described in greater detail herein and in "Proposal 1: Election of Directors — Board Compensation". We believe that stock ownership by our directors and executive officers aligns their interests with the long-term interests of our stockholders.

We expect our Chief Executive Officer to own, within four years of each such officer's date of hire or promotion, as appropriate, Freddie Mac stock with a fair market value equal to five times

such officer's annual base salary. We also expect, within four years of the date of hire or promotion to executive officer, our other executive officers to own Freddie Mac stock with a fair market value equal to three times such officer's annual base salary. Each of our executive officers, including our Chief Executive Officer, will be treated as complying with this stock ownership requirement, even if the officer does not otherwise meet the requirement, if the officer:

- retains all Freddie Mac stock the officer owned as of the later of January 31, 2006 or the date the executive officer is hired or promoted into an executive officer position; and
- retains all Freddie Mac stock acquired through the settlement of restricted stock units (net of shares withheld for taxes) for which the restrictions have lapsed, or for which the restrictions lapse in the future.

For information on our stock ownership requirements for non-employee directors, see "Proposal 1: Election of Directors — Board Compensation — *Non-Employee Director Stock Ownership Guidelines*."

EXECUTIVE COMPENSATION

Compensation Tables

The following tables set forth compensation information for our Chief Executive Officer, our Chief Financial Officer, our three other most highly compensated executive officers who were serving as executive officers as of December 31, 2007 and two former executive officers who otherwise would have been listed in the table, but had ceased to be executive officers before December 31, 2007.

Summary Compensation Table

Name and Principal Position	Year	Salary ⁽¹⁾	Bonus ⁽²⁾	Stock Awards ⁽³⁾	Option Awards ⁽³⁾	Change in Pension Value and Nonqualified Deferred Compensation Earnings ⁽⁴⁾	All Other Compensation ⁽⁵⁾	Total
Richard F. Syron Chairman of the Board and Chief Executive Officer	2007	\$1,200,000	\$3,450,000	\$8,662,876	\$3,471,051	\$734,063	\$771,585	\$18,289,575
	2006	1,100,000	2,400,000	7,162,448	3,261,460	355,273	453,882	14,733,063
Anthony S. Piszal ⁽⁶⁾ Executive Vice President and Chief Financial Officer	2007	650,000	1,350,000	1,875,521	0	84,038	352,469	4,312,028
	2006	88,750	3,100,000	93,593	0	0	367,954	3,650,297
Patricia L. Cook ⁽⁶⁾ Executive Vice President and Chief Business Officer	2007	600,000	1,400,000	1,717,224	603,851	225,550	302,578	4,849,203
	2006	600,000	2,300,000	1,118,767	533,747	221,353	123,062	4,896,929
Michael Perlman ⁽⁶⁾ Executive Vice President, Operations and Technology	2007	208,333	1,775,000	127,989	0	0	73,451	2,184,773
Michael C. May Senior Vice President, Multifamily Sourcing	2007	418,000	715,000	599,423	281,262	194,772	140,921	2,349,378
Eugene M. McQuade ⁽⁶⁾ Former President and Chief Operating Officer	2007	600,000	0	2,208,341	500,894	0	446,091	3,755,326
	2006	900,000	1,500,000	3,627,289	1,088,677	193,180	338,313	7,647,459
Joseph A. Smialowski ⁽⁶⁾ Former Executive Vice President, Operations and Technology	2007	550,000	1,350,000	549,830	162,195	0	158,649	2,770,674
	2006	541,667	975,000	776,270	308,145	148,351	70,078	2,819,511

The stock and option award amounts used to calculate total compensation shown above are not the amounts granted to or actually realized by our named executive officers in 2006 or 2007, but rather the compensation expense recognized by Freddie Mac in the year shown for the named executive officers' restricted stock unit awards and option awards as determined under SFAS 123(R). For example, in the table above, the value disclosed for stock and option awards is the SFAS 123(R) expense recognized in 2007 for Mr. Syron's restricted stock unit awards and option awards, \$12,133,927. The actual fair market value of stock options that were exercised and the restricted stock unit awards that vested in 2007 was \$4,433,106. This results in a \$7,700,821 difference between total 2007 compensation using the SFAS 123(R) expense (reflected in the table above) and the total 2007 compensation using the value of stock options that were exercised and restricted stock units that vested in 2007. The chart below compares the 2007 total compensation for all named executive officers as reflected in the Summary Compensation Table with the total compensation for 2007 using the fair market value of stock options that were exercised and restricted stock units that vested in 2007.

Name	Total 2007 Compensation Using SFAS 123(R) Expense	Total 2007 Compensation Using Value of Stock Options Exercised and Restricted Stock Awards Vesting in 2007
Mr. Syron	\$18,289,575	\$10,588,754
Mr. Piszal	4,312,028	3,137,889
Ms. Cook	4,849,203	3,891,280
Mr. Perlman	2,184,773	2,056,784
Mr. May	2,349,378	2,042,768
Mr. McQuade	3,755,326	5,203,895
Mr. Smialowski	2,770,674	2,983,850

Executive Compensation

- (1) Mr. Syron's 2007 salary of \$1,200,000 was attributable to his annual salary of \$1,100,000 from January 1, 2007 through June 30, 2007 and \$1,300,000 from July 1, 2007 through December 31, 2007. Mr. Perlman's 2007 salary of \$208,333 was attributable to the period from his employment date, August 1, 2007, through December 31, 2007, based on an annual salary of \$500,000. Mr. McQuade's 2007 salary of \$600,000 was attributable to his annual salary of \$900,000 from January 1, 2007 through his termination date of September 1, 2007.
- (2) Except as otherwise noted, amounts reported for all named executive officers are for performance in 2006 and 2007. Mr. Syron's bonus in 2007 includes a special extension bonus of \$1,250,000 for his agreement to extend the terms of his employment agreement. Mr. Pizsel's bonus in 2006 includes a one-time cash sign-on bonus of \$2,500,000 that is subject to repayment under certain circumstances. Mr. Perlman's bonus includes a one-time cash sign-on bonus of \$550,000 that is subject to repayment under certain circumstances. Mr. May's bonus includes a retention bonus of \$250,000. Mr. Smialowski's bonus in 2007 is in accordance with his Transition Period Agreement dated May 18, 2007 and is the sum of \$1,150,000 attributable to his annual bonus for performance in 2007, and a \$200,000 supplemental cash payment. The 2006 annual bonus amounts were approved by the CHRC on March 3, 2007 and paid on March 16, 2007. The 2007 annual bonus amounts were approved by the CHRC on March 7, 2008 and paid on March 17, 2008. For information regarding guaranteed bonuses and contractual target bonuses for Messrs. Syron, Pizsel, Perlman and Smialowski, see "Employment and Separation Agreements" below.
- (3) See Note 10 to the consolidated financial statements included in the accompanying Annual Report for a discussion of the assumptions made in determining SFAS 123(R) values. The amounts reported disregard estimates of forfeitures for awards with service-based vesting conditions. There can be no assurance that the SFAS 123(R) amounts will ever be realized by any named executive officer.

Grants of RSUs include the right to receive dividend equivalents. Prior to January 1, 2006, stock options also had dividend equivalent rights on each share underlying the option equal to the dividend per share declared and paid on our outstanding common stock. For stock options vested as of December 31, 2004, dividend equivalents are accrued and are payable in cash upon exercise or expiration of the option. In response to Code Section 409A, the CHRC approved a modification of the terms of certain outstanding stock options granted under the 2004 Employee Plan. In particular, the terms of any stock option grant or portion thereof outstanding as of December 31, 2005 that was not vested as of December 31, 2004 were modified to eliminate the accrual of dividend equivalents. Dividend equivalents accrued through December 31, 2005 with respect to these stock options were distributed in a lump sum in 2006. Thereafter, dividend equivalents with respect to these stock options will not accrue but will be distributed as soon as practicable after dividends on our common stock have been declared. Beginning January 1, 2006, dividend equivalents are no longer granted in connection with awards of stock options.

The value of dividend equivalents is recognized in the compensation expense of the stock option and RSU awards shown in the Summary Compensation Table. The table below shows the actual amount of cash dividend equivalents paid in 2006 and 2007 to the named executive officers on their outstanding RSU awards and the portions of their outstanding stock option awards that were not vested and exercisable before January 1, 2005.

	Year	Dividend Equivalents Paid on RSUs	Dividend Equivalents Paid on Stock Options	Total Dividend Equivalents Paid
Mr. Syron	2007	\$400,489	\$ 497,955	\$ 898,444
	2006	471,555	1,180,719	1,652,274
Mr. Pizsel	2007	168,561	0	168,561
	2006	39,470	0	39,470
Ms. Cook	2007	121,704	84,255	205,959
	2006	111,177	190,655	301,832
Mr. Perlman	2007	10,103	0	10,103
Mr. May	2007	42,466	56,783	99,249
Mr. McQuade	2007	183,842	140,963	324,805
	2006	288,602	347,332	635,934
Mr. Smialowski	2007	97,893	42,300	140,193
	2006	83,212	86,856	170,068

Executive Compensation

- (4) Amounts reported reflect the actuarial increase in the present value of each named executive officer's accrued benefits under our Pension Plan and the Pension SERP Benefit from September 30, 2005 to September 30, 2006 (for 2006) and from September 30, 2006 to September 30, 2007 (for 2007), determined using the assumptions applied in our consolidated financial statements for the years ended December 31, 2006 and 2007, respectively, and the normal retirement age of 65 specified in the Pension Plan. See Note 14 to the consolidated financial statements included in the accompanying Annual Report for a discussion of these assumptions. Present values are determined based on generational mortality tables developed by the Society of Actuaries' Retirement Plans Experience Committee. Mr. Pizsel was not a participant in the Pension Plan as of September 30, 2007, but became a participant as of December 31, 2007. The amounts reported for Mr. Pizsel reflect the actuarial increase in the present value from September 30, 2006 to September 30, 2007.

With the exception of Mr. May, the values reported include amounts that the named executive officers are not currently entitled to receive because such amounts are not yet vested. The amounts reported do not include values associated with retiree medical benefits, which are generally available to all employees. For additional information concerning the Pension Plan and the Pension SERP Benefit, see "Pension Benefits" below. For additional information concerning the Thrift/401(k) SERP Benefit, see "Non-qualified Deferred Compensation" below. The amounts reported for Mr. May also include the above-market earnings on his accumulated balance in the Executive Deferred Compensation Plan as of December 31, 2007. Deferrals under the Executive Deferred Compensation Plan are credited with interest compounded daily at the rate of: 1% per annum in excess of the prime rate as reported by the *Wall Street Journal* on the first business day of each calendar year during the deferral period. In 2007, interest was credited at a rate of 9.25% based on the prime rate on January 2, 2007 of 8.25% plus 1%. Nonqualified deferred compensation earnings included for Mr. May consisted of the above-market portion of interest paid in 2007, which was 3.69%, equal to the 9.25% credited minus 120% of the applicable federal long-term rate, or 5.56%.

- (5) Amounts reflect (i) basic and matching contributions we made to our tax-qualified Thrift/401(k) Savings Plan; (ii) accruals we made pursuant to the Thrift/401(k) SERP Benefit; (iii) FlexDollars (described below); (iv) the dollar value of premiums paid by us with respect to life and disability insurance; (v) perquisites and other personal benefits received; and (vi) gross-ups for the payment of taxes associated with perquisites and other personal benefits. These amounts are as follows:

	<u>Year</u>	<u>Thrift/401(k) Savings Plan Contributions</u>	<u>Thrift/401(k) SERP Accruals</u>	<u>Flex Dollars</u>	<u>Life and Disability Insurance Premiums</u>	<u>Perquisites</u>	<u>Tax Gross-Ups</u>
Mr. Syron	2007	\$17,041	\$435,575	\$22,344	\$167,694	\$117,731	\$11,200
	2006	13,200	229,375	22,344	167,694	15,114	6,155
Mr. Pizsel	2007	0	2,438	14,655	0	272,188	63,188
	2006	0	0	180	0	250,132	117,642
Ms. Cook	2007	13,666	275,200	13,712	0	0	0
	2006	13,100	96,250	13,712	0	0	0
Mr. Perlman	2007	0	0	1,986	0	45,572	25,893
Mr. May	2007	20,416	94,225	26,280	0	0	0
Mr. McQuade	2007	13,666	187,325	12,652	205,578	16,074	10,796
	2006	13,200	71,250	18,978	205,578	22,385	6,922
Mr. Smialowski	2007	13,666	130,492	13,867	0	0	624
	2006	7,167	49,767	13,144	0	0	0

Employer contributions to the Thrift/401(k) Savings Plan are available on the same terms to all of our employees. We match up to the first 6% of eligible compensation at 100% of the employee's contributions, with the percentage matched dependent upon the employee's length of service. Employee contributions and our matching contributions are invested in accordance with the employee's investment elections and are immediately vested. In addition, we have discretionary authority to make additional contributions to our Thrift/401(k) Savings Plan, referred to as the "basic contribution," that are allocated uniformly on behalf of each eligible employee, based on a stated percentage of each employee's eligible compensation. If the company decides to make a discretionary basic contribution, that contribution is made by the company after the end of the calendar year to which it relates. The formula for the contribution is 2% of pay up to the Social Security wage base, which was \$97,500 for 2007, and 4% of pay above the Social Security wage base. Discretionary basic contributions were approved and posted to employees' accounts in 2006 and 2007. In 2006 and 2007, employees became vested in the basic contribution after five years of service.

For additional information regarding the Thrift/401(k) SERP Benefit, see "Non-qualified Deferred Compensation" below. Amounts for the Thrift/401(k) Savings Plan Contributions and Thrift/401(k) SERP Accruals include all contributions made in respect of each named executive officer without regard to vesting status.

FlexDollars are provided under our Flexible Benefits Plan and are generally available to all employees to offset costs related to medical coverage, dental coverage, vision coverage, group term life insurance, accidental death and personal loss insurance, and vacation purchase. FlexDollars can be used to offset the cost of other benefits and any unused FlexDollars are payable as taxable income.

We provide Mr. Syron life insurance policies totaling \$10,000,000 to be paid in the event of his death and a disability policy due to be paid to Mr. Syron in the event of his disability. We provided Mr. McQuade life insurance policies totaling \$7,000,000 to be paid in the event of his death and disability coverage to provide benefits to Mr. McQuade in the event of his disability. This commitment to Mr. McQuade ended upon the termination of his employment with us. Amounts reported reflect premiums paid on these policies. For more information regarding insurance benefits made available to Messrs. Syron and McQuade, see "Potential Payments Upon Termination or Change in Control" and "Employment and Separation Agreements" below.

Perquisites include financial planning, personal use of car and driver for commuting in the Washington, D.C. metro area (for Messrs. Syron and McQuade only), home security systems (for Messrs. Syron and McQuade only), spousal business travel and spousal dining for business purposes, legal fees incurred in connection with negotiating employment agreements and relocation expenses. Perquisites are valued at their aggregate incremental cost to Freddie Mac. Ms. Cook received no perquisites in 2006 and 2007. During the years reported, the aggregate value of perquisites furnished to Messrs. May and Smialowski was less than \$10,000.

For Mr. Syron, the perquisite cost reported for 2007 that exceeds the greater of \$25,000 or 10% of the total perquisite cost reported is \$100,000 for legal fees, approved by the Board, incurred in connection with his amended employment agreement. For Mr. Pizel, the perquisite cost reported for 2006 and 2007 that exceeds the greater of \$25,000 or 10% of the total perquisite costs reported is \$225,132 and \$264,561, respectively for relocation expense. Aggregate cost to the company for this expense is calculated based on the actual cost of services. For Mr. Perlman, the perquisite cost recorded for 2007 that exceeds the greater of \$25,000 or 10% of the total perquisite costs reported is \$45,572 for relocation expense.

- (6) Ms. Cook became Executive Vice President and Chief Business Officer on June 5, 2007. Prior to that, she was Executive Vice President, Investments and Capital Markets. Mr. Perlman became Executive Vice President, Operations and Technology on August 1, 2007. Mr. McQuade resigned his position as President and Chief Operating Officer effective September 1, 2007. Mr. Smialowski resigned his position as Executive Vice President, Operations and Technology effective June 30, 2007 and served as a special advisor to the Chairman and Chief Executive Officer until December 31, 2007.

Grants of Plan-Based Awards — 2007

The following table contains information concerning grants of plan-based awards to each of the named executive officers during 2007. For more information on the equity awards to our named executive officers, including the timing of equity grants, see "Compensation Discussion and Analysis — RSUs" and "— Stock Options" above.

Name	Grant Date ⁽¹⁾	CHRC Approval Date ⁽¹⁾	Estimated Future Payouts Under Non-Equity Incentive Plan Awards	All Other Stock Awards: Number of Shares of Stock or Units (#) ⁽²⁾	Grant Date Fair Value of Stock and Option Awards ⁽³⁾ (\$)
			Target (\$)		
Mr. Syron	3/29/07	3/3/07		107,824	\$6,450,032
	3/29/07	3/3/07		35,942 ⁽⁵⁾	1,092,277
	12/6/07	6/8/07		21,564	800,024
			\$6,000,000 ⁽⁴⁾		
Mr. Pizsel	3/29/07	3/3/07		37,613	2,250,010
	3/29/07	3/3/07		12,538 ⁽⁵⁾	381,030
Ms. Cook.....	3/29/07	3/3/07		34,642	2,072,284
	3/29/07	3/3/07		11,548 ⁽⁵⁾	350,944
Mr. Perlman	9/6/07	9/6/07		20,206	1,200,034
Mr. May	3/29/07	3/3/07		8,777	525,040
	3/29/07	3/3/07		2,926 ⁽⁵⁾	88,921
Mr. McQuade.....	3/29/07	3/3/07		71,778	4,293,760
	3/29/07	3/3/07		23,926 ⁽⁵⁾⁽⁶⁾	727,111
Mr. Smialowski	3/29/07	3/3/07		27,997	1,674,781
	3/29/07	3/3/07		9,333 ⁽⁵⁾⁽⁶⁾	283,630

(1) Except as otherwise noted, these equity awards were made in 2007 in respect of the executive's performance in 2006. Mr. Syron's December 6, 2007 equity award and special performance award were made in connection with his amended employment agreement entered into in November 2007. The time between the June approval of Mr. Syron's grant and the December grant date resulted from the length of time to finalize negotiations on and obtain the required regulatory approvals for that agreement.

The CHRC approved the annual grant of RSUs and Performance RSUs for executive officers on March 3, 2007, with an effective grant date of March 29, 2007, which was the fourth business day of the open stock trading window period following the release of our fiscal year 2006 financial results.

(2) To determine the number of RSUs and Performance RSUs for the annual award, the CHRC first sets the dollar amount of RSUs and Performance RSUs to be awarded. On the grant date, that dollar amount is converted into RSUs and Performance RSUs by dividing the dollar amount of the award by the fair market value of our common stock on the grant date.

The RSUs granted to the named executive officers on March 29, 2007 vest at a rate of 25% in each of March 2008, 2009, 2010 and 2011. Because the CHRC has determined that the performance vesting requirement has been satisfied for the Performance RSUs, the Performance RSUs granted to the named executive officers on March 29, 2007 also vest at a rate of 25% in each of March 2008, 2009, 2010 and 2011. The RSUs granted to Mr. Syron on December 6, 2007 in connection with his amended employment agreement vest at a rate of 25% in each of December 2008, 2009, 2010 and 2011. The one-time sign-on RSU award granted to Mr. Perlman on September 6, 2007 will vest at a rate of 33.33% in each of September 2008, 2009 and 2010.

(3) The amounts reported in this column reflect the aggregate grant date fair value, determined in accordance with SFAS 123(R), of RSU and Performance RSU awards granted during 2007.

The grant date fair value of RSU and Performance RSU awards is calculated by multiplying the number of RSUs granted by the grant date fair value of our common stock. The grant date fair value of the RSU awards made in 2007 is based on the fair market value of our common stock on March 29, 2007, which was \$59.82. The grant date fair value of the Performance RSU awards made in 2007 is based on the fair market value of our common stock on January 31, 2008, which was \$30.39, because that was the date the CHRC determined that the performance vesting requirement had been satisfied. The grant date fair value of Mr. Syron's additional award is based on the fair market value of our common stock on December 6, 2007, which was \$37.10 and the grant date fair value for Mr. Perlman's award is based on the fair market value of our common stock on September 6, 2007, which was \$59.39.

(4) Mr. Syron was granted a Special Performance Award in connection with the November 9, 2007 amendment to his employment agreement. See "Compensation Discussion and Analysis — Compensation Structure — Chief Executive Officer Special Performance Award Opportunity" for more information regarding the Special Performance Award.

(5) Represents Performance RSUs. At its January 31, 2008 meeting, the CHRC determined that the performance vesting requirement for this Performance RSU grant was met.

(6) Because Messrs. McQuade and Smialowski had terminated their employment prior to the CHRC determination that the performance vesting requirement had been satisfied, these awards were cancelled, and the company is not recognizing any compensation expense for them.

Executive Compensation

Outstanding Equity Awards at Fiscal Year-End — 2007

The following table shows outstanding equity awards held by the named executive officers as of December 31, 2007.

Name	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Option Exercise Price (\$) ⁽¹⁾	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$) ⁽²⁾
Mr. Syron	124,935 ⁽³⁾	41,645 ⁽³⁾	\$64.36	08/08/14	18,908 ⁽³⁾	\$ 644,196
	82,695 ⁽⁴⁾	82,695 ⁽⁴⁾	62.69	05/05/15	38,825 ⁽⁴⁾	1,322,768
	32,857 ⁽⁴⁾	98,573 ⁽⁴⁾	60.45	06/04/16	90,578 ⁽⁴⁾	3,085,992
					107,824 ⁽⁴⁾	3,673,564
					35,942 ⁽⁵⁾	1,224,544
					21,564 ⁽⁶⁾	734,685
					59,205 ⁽⁷⁾	2,017,114
Mr. Pizsel	—	—	—	—	37,613 ⁽⁴⁾	1,281,475
					12,538 ⁽⁵⁾	427,170
Ms. Cook	13,935 ⁽⁴⁾	4,645 ⁽⁴⁾	64.63	08/01/14	4,280 ⁽⁴⁾	145,820
	18,795 ⁽⁴⁾	18,795 ⁽⁴⁾	62.69	05/05/15	8,825 ⁽⁴⁾	300,668
	9,895 ⁽⁴⁾	29,685 ⁽⁴⁾	60.45	06/04/16	27,300 ⁽⁴⁾	930,111
					34,642 ⁽⁴⁾	1,180,253
					11,548 ⁽⁵⁾	393,440
					20,206 ⁽⁸⁾	688,418
Mr. Perlman	—	—	—	—	—	—
Mr. May	2,770	0	60.75	03/04/09	—	—
	5,240	0	67.85	03/01/11	—	—
	6,900	0	64.35	02/29/12	—	—
	4,920 ⁽⁹⁾	1,640 ⁽⁹⁾	54.30	11/25/13	3,380 ⁽⁹⁾	115,157
	8,902 ⁽³⁾	2,968 ⁽³⁾	64.36	08/08/14	1,348 ⁽³⁾	45,926
	5,815 ⁽⁴⁾	5,815 ⁽⁴⁾	62.79	04/10/15	2,765 ⁽⁴⁾	94,204
	2,615 ⁽⁴⁾	7,845 ⁽⁴⁾	60.45	06/04/16	7,223 ⁽⁴⁾	246,088
					8,777 ⁽⁴⁾	299,032
					2,926 ⁽⁵⁾	99,689
Mr. McQuade	—	—	—	—	—	—
Mr. Smialowski	14,100 ⁽⁴⁾	—	62.69	03/31/08	—	—
	9,335 ⁽⁴⁾	—	60.45	03/31/08	—	—

- (1) Consistent with the terms of our 2004 Employee Plan, the option exercise price is set at a price equal to the fair market value of our common stock on the grant date.
- (2) Market value is calculated by multiplying the number of RSUs held by each named executive officer on December 31, 2007 by the closing price of our common stock on December 31, 2007 (\$34.07), the last day of trading for the year.
- (3) Stock options and RSUs granted on August 9, 2004 vest at a rate of 25% on August 9, 2005, April 1, 2006, April 1, 2007 and April 1, 2008.
- (4) Stock options and RSUs granted on August 2, 2004, May 6, 2005, April 11, 2005, June 5, 2006 and March 29, 2007 vest at a rate of 25% on each anniversary of the grant date. Mr. Smialowski's option awards are unexercised stock options that remained exercisable for 90 days following his departure on December 31, 2007. As of the date of this proxy statement all of Mr. Smialowski's stock options have expired.
- (5) On January 31, 2008, the CHRC determined that the performance vesting criteria for these RSUs granted on March 29, 2007 was met. These RSUs vest at a rate of 25% on each anniversary of the grant date.
- (6) RSUs granted on December 6, 2007 vest at a rate of 25% on each anniversary of the grant date.
- (7) Mr. Pizsel's sign-on award of RSUs vests at a rate of 25% on each anniversary of the December 7, 2006 grant date.
- (8) Mr. Perlman's sign-on award of RSUs vests at a rate of 33.33% on each anniversary of the September 6, 2007 grant date.
- (9) Stock options granted on November 26, 2003 vest at a rate of 25% on each of March 6, 2005, 2006, 2007 and 2008. RSUs granted on November 26, 2003 vest 100% on March 6, 2008.

Executive Compensation

For information on alternative settlement provisions of RSU and stock option grants in the event of certain terminations, see “Potential Payments Upon Termination or Change in Control” below.

Option Exercises and Stock Vested — 2007

The following table sets forth information concerning value realized upon the exercise of stock options and the vesting of RSUs during 2007 by each of the named executive officers.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#) ⁽¹⁾	Value Realized on Vesting (\$) ⁽²⁾
Mr. Syron	0	\$0	68,512	\$4,433,106
Mr. Pizsel	0	0	19,735	701,382
Ms. Cook	0	0	21,663	1,363,152
Mr. Perlman	0	0	0	0
Mr. May	0	0	10,957	574,075
Mr. McQuade	0	0	64,696 ⁽³⁾	4,157,804
Mr. Smialowski	0	0	15,935 ⁽³⁾	925,201

- (1) Amounts reported reflect the number of RSUs that vested during 2007 prior to our withholding of shares to satisfy appropriate taxes.
- (2) Amounts reported are calculated by multiplying the number of pre-tax RSUs that vested during 2007 by the fair market value of our common stock on the day of vesting.
- (3) Messrs. McQuade and Smialowski resigned from the company effective September 1, 2007 and December 31, 2007, respectively. For more information, see “Potential Payments upon Termination or Change in Control — Eugene M. McQuade” or “— Joseph A. Smialowski” and “Employment and Separation Agreements — Eugene M. McQuade” or “— Joseph A. Smialowski.”

Pension Benefits — 2007

The following table shows the actuarial present value of the accumulated retirement benefits payable under the Pension Plan and the Pension SERP Benefit for each of the named executive officers, computed as of September 30, 2007 (the date used for pension calculations in our consolidated financial statements for the year ended December 31, 2007 included in the accompanying Annual Report). A summary of the material terms of each plan follows the table, including information on early retirement.

<u>Name</u>	<u>Plan Name</u>	<u>Number of Years Credited Service (#) ⁽¹⁾</u>	<u>Present Value of Accumulated Benefit (\$) ⁽²⁾</u>	<u>Payments During Last Fiscal Year (\$)</u>
Mr. Syron	Pension Plan	4.0	\$ 84,213	\$0
	Pension SERP Benefit	4.0	1,461,895	0
Mr. Pizsel	Pension Plan	1.0	0	0
	Pension SERP Benefit	1.0	0	0
Ms. Cook.....	Pension Plan	3.4	44,266	0
	Pension SERP Benefit	3.4	523,074	0
Mr. Perlman	Pension Plan	0	0	0
	Pension SERP Benefit	0	0	0
Mr. May	Pension Plan	24.8	281,019	0
	Pension SERP Benefit	24.8	874,497	0
Mr. McQuade	Pension Plan	—	—	0
	Pension SERP Benefit	—	—	0
Mr. Smialowski.....	Pension Plan	—	—	0
	Pension SERP Benefit	—	—	0

(1) Amounts reported represent the credited years of service for each named executive officer as of September 30, 2007, under the Pension Plan and the Pension SERP Benefit, respectively. Amounts reported do not reflect certain contractual retirement benefits Mr. Syron would receive pursuant to his employment agreement should his employment be terminated under certain conditions prior to vesting in the Pension SERP Benefit. For further information on these additional benefits for Mr. Syron, see “Potential Payments Upon Termination or Change in Control”.

(2) Amounts reported reflect the present value, expressed as a lump sum as of September 30, 2007, of each named executive officer’s benefits under the Pension Plan and the Pension SERP Benefit, respectively. Amounts reported are calculated using the assumptions applied in Note 14 to the consolidated financial statements included in the accompanying Annual Report, and the normal retirement age of 65 specified in the Pension Plan. Present values represent generational mortality tables developed by the Society of Actuaries’ Retirement Plans Experience Committee. For all of the named executive officers except Messrs. McQuade and Smialowski, the amounts shown may include amounts in which the named executive officers are not yet vested. Messrs. McQuade and Smialowski both terminated their employment before earning vested benefits, so the value of their accumulated benefits at December 31, 2007 was \$0. Pension Plan and Pension SERP benefits are subject to a five-year cliff vesting schedule. For additional information, see the descriptions of the employment agreements under “Employment and Separation Agreements” below. Mr. Pizsel joined us as Executive Vice President and Chief Financial Officer on November 13, 2006 and as of September 30, 2007 had not yet met the one year and 1000 hour eligibility requirements for the Pension Plan or Pension SERP Benefit; therefore, the benefit amounts as of September 30, 2007 for Mr. Pizsel are zero. Mr. Perlman joined us as Executive Vice President, Operations and Technology on August 1, 2007 and as of September 30, 2007 had not yet met the one year and 1000 hour eligibility requirements for the Pension Plan or Pension SERP Benefit; therefore, the benefit amounts as of September 30, 2007 for Mr. Perlman are zero.

Pension Plan

The Pension Plan is a tax-qualified, defined benefit pension plan we maintain that covers substantially all employees who have attained age 21 and completed one year of service with us. Pension Plan benefits are based on an employee’s years of service and highest average monthly compensation, up to limits imposed by law. Specifically, the normal retirement benefit under the Pension Plan for service after December 31, 1988 is a monthly payment calculated as follows:

- 1% of the participant’s highest average monthly compensation for the 36-consecutive month period during which the participant’s compensation was the highest,
- multiplied by the participant’s full and partial years of credited service under the Pension Plan.

Executive Compensation

A named executive officer who worked for the company prior to 1989 would have two additional components to his Pension Plan benefit. The first component would provide employees who were hired in 1985 or earlier with a benefit attributable to service through the end of 1988. The second component would provide employees who were hired before 1985 and remained with the company through 1990 with a supplemental benefit relating to that time period. A fixed dollar value for these components was established when we changed to the methodology for calculating pension benefits described above.

For purposes of the Pension Plan, compensation includes the non-deferred base salary paid to each employee, as well as overtime pay, shift differentials, non-deferred bonuses paid under our corporate-wide annual bonus program or pursuant to a functional incentive plan (excluding the value of any stock options or cash equivalents), commissions, and amounts deferred under the Thrift/401(k) Savings Plan, the Flexible Benefits Plan and qualified transportation under Code Section 132(c)(4). Compensation does not include supplemental compensation plans providing temporary pay, or any amounts paid after termination of employment.

Notwithstanding the lump sum nature of the disclosure in the table above, lump sum payments are not permitted under the Pension Plan if the present value of the accrued benefit would equal or exceed \$25,000. The normal form of benefit under the Pension Plan is an annuity providing monthly payments for the life of the participant (and a survivor annuity for the participant's spouse if applicable). Optional forms of benefit payment are available. A benefit with an actuarial present value equal to or less than \$5,000 may only be paid as a lump sum.

Participants under the Pension Plan who terminate employment before age 55 with at least five years of service are considered "terminated vested" participants. Such participants may commence their benefit under the Pension Plan as early as age 55. The benefit is equal to the vested portion of the participant's accrued benefit, reduced by 1/180th for each of the first 60 months, and by 1/360th for each of the next 60 months, by which the commencement of such benefits precedes age 65.

An early retirement benefit is available to a participant who terminates employment on or after age 55 with at least five years of service. This early retirement benefit is reduced by three percent (3%) for each year (prorated monthly for partial years) by which the commencement of such benefits precedes the earlier of (i) age 65 or (ii) such participant's attainment of age 62 or later with at least 15 years of service or projected service as if the participant continued working until age 62. There is no reduction for early commencement if the benefit is commenced at or after age 62 (but before age 65) if the participant has 15 years of service or projected service.

Supplemental Executive Retirement Plan — Pension SERP Benefit

The "Pension SERP Benefit" component of the SERP is designed to provide participants with the full amount of benefits to which they would have been entitled under the Pension Plan if that plan (1) was not subject to certain limits on compensation that can be taken into account under the Code and (2) did not exclude from "compensation" amounts deferred under our Executive Deferred Compensation Plan. For example, the Pension Plan is only permitted under the Code to consider the first \$225,000 of an employee's compensation during 2007 for the purpose of determining the participant's compensation-based normal retirement benefit. We believe the Pension SERP Benefit is an appropriate benefit because offering such a benefit helps us remain competitive with companies in the Comparator Group.

The Pension SERP Benefit is calculated as the participant's accrued annual benefit payable at age 65 (or current age, if greater) under the Pension Plan without application of the limits described in the preceding paragraph, less the participant's actual accrued benefit under the Pension Plan. The Pension SERP Benefit is vested for each participant to the same extent that the participant is vested in the corresponding benefit under the Pension Plan.

To be eligible for the SERP for any year, the named executive officer must be eligible to participate in the Pension Plan and eligible for matching contributions and basic contributions under the Thrift/401(k) Savings Plan for part of that year.

Pension SERP Benefits that vest on or after January 1, 2005 are generally distributed in a lump sum after separation from service and are payable 90 days after the end of the calendar year in which separation occurs. Subject to plan limitations and restrictions under Code Section 409A, employees may elect that this portion of the Pension SERP be paid upon separation in the form of a single life annuity at age 65 or in equal annual installments over five, 10 or 15 years (including interest). Under IRS rules, distributions to so-called "key employees" (as defined by the IRS in regulations concerning Code Section 409A) may not commence earlier than six months from the key employee's separation from service. Payments under the SERP will be delayed if necessary to meet this requirement.

Pension SERP Benefits that vested prior to January 1, 2005 are generally distributed after separation from service (other than retirement) in the form of a single life annuity commencing at age 65. In the case of retirement, the vested pre-2005 Pension SERP Benefit is combined with the vested pre-2005 Thrift/401(k) SERP Benefit and is paid out in the form of a single life annuity payable at age 65 (or in a series of equal installments over 15 years commencing with retirement if actuarial estimates indicate that payment form would yield a longer period of payment).

Non-qualified Deferred Compensation

As noted above in "Compensation Discussion and Analysis — Other Executive Benefits, including Perquisites and Retirement Benefits — *Executive Deferred Compensation and Supplemental Executive Retirement Plans*", the Executive Deferred Compensation Plan allows the named executive officers to defer receipt of a portion of their annual salary and cash bonus (and to defer settlement of RSUs granted between 2002 and 2007). The Executive Deferred Compensation Plan is a non-qualified plan, and is unfunded (benefits are paid from the company's general assets). The plan was amended and restated effective January 1, 2008, and pursuant to the amended and restated plan, deferrals may be made for a period of whole years as elected by the employee, but in no event past termination of employment. Deferred amounts are credited with interest, which is currently the prime rate as reported by the *Wall Street Journal* as of the first business day of the applicable calendar year, plus 1%. When employees make deferral elections for a particular year, they also specify the form in which the deferral will be distributed after the expiration of the election. The available selections are lump sum or reasonably equal installments over five, ten or fifteen years. A six-month delay in commencement of distributions applies to key employees, in accordance with Code Section 409A. Hardship withdrawals are permitted in certain limited circumstances.

Supplemental Executive Retirement Plan — Thrift/401(k) SERP Benefit

The “Thrift/401(k) SERP Benefit” portion of the SERP is an unfunded, nonqualified defined contribution plan designed to provide participants with the full amount of benefits that they would have been entitled to under the Thrift/401(k) Savings Plan if that plan (1) was not subject to certain limits on compensation that can be taken into account under the Code and (2) did not exclude from compensation amounts deferred under our Executive Deferred Compensation Plan. For example, in 2007 under the Code, only the first \$225,000 of an employee’s compensation is considered when determining the company’s percentage-based matching contribution for any participant in the Thrift/401(k) Savings Plan. We believe the Thrift/401(k) SERP Benefit is an appropriate benefit because offering such a benefit helps us remain competitive with companies in the Comparator Group.

The Thrift/401(k) SERP Benefit equals the amount of the employer matching contributions and basic contribution for each named executive officer that would have been made to the Thrift/401(k) Savings Plan during the year, based upon the participant’s eligible compensation, without application of the above limits, less the amount of the matching contributions and basic contribution actually made to the Thrift/401(k) Savings Plan during the year. Participants are credited with earnings or losses in their Thrift/401(k) SERP Benefit accounts based upon each participant’s individual direction of the investment of such notional amounts among the virtual investment funds available under the SERP. Such investment options are based upon and mirror the performance of those investment options available under the Thrift/401(k) Savings Plan. As of December 31, 2007, there were 10 investment options in which participants’ notional amounts could be invested.

To be eligible for the SERP, the named executive officer must be eligible to participate in the Pension Plan and be eligible for matching contributions and basic contributions under the Thrift/401(k) Savings Plan for part of the year. Additionally, to be eligible for the portion of the Thrift/401(k) SERP Benefit attributable to employer matching contributions, the named executive officer must contribute the maximum amount permitted under the terms of the Thrift/401(k) Savings Plan on a pre-tax basis throughout the entire portion of the year in which the named executive officer is eligible to make such contributions. That portion of the Thrift/401(k) SERP Benefit is vested when accrued, while the accrual relating to the basic contribution is subject to five-year cliff vesting. For amounts vesting on or after January 1, 2005, the Thrift/401(k) SERP Benefit is distributed as a lump sum payable 90 days after the end of the calendar year in which separation occurs.

Thrift/401(k) SERP Benefits that vested prior to January 1, 2005 are generally distributed after separation from service (other than retirement) in the form of three reasonably equal annual installments, starting in the first quarter of the calendar year following the year in which the termination occurs. In the case of retirement, the vested pre-2005 Thrift/401(k) SERP Benefit is combined with the vested pre-2005 Pension SERP Benefit and is paid out in the form of a single life annuity payable at age 65 (or in a series of equal installments over 15 years commencing with retirement if actuarial estimates indicate that payment form would yield a longer period of payment).

The following table shows the contributions, earnings, withdrawals and distributions, and accumulated balances under the Thrift/401(k) SERP Benefit for each named executive officer and the Executive Deferred Compensation Plan (Mr. May only) as of December 31, 2007. For more

Executive Compensation

information, see “Compensation Discussion and Analysis — Other Executive Benefits, including Perquisites and Retirement Benefits — *Executive Deferred Compensation and Supplemental Executive Retirement Plan*” above.

<u>Name</u>	<u>Executive Contributions in Last FY(\$)⁽¹⁾</u>	<u>Freddie Mac Contributions in Last FY(\$)⁽²⁾</u>	<u>Aggregate Earnings in Last FY(\$)⁽³⁾</u>	<u>Aggregate Withdrawals / Distributions(\$)⁽⁴⁾</u>	<u>Aggregate Balance at Last FYE(\$)⁽⁵⁾</u>
Mr. Syron.....	\$0	\$435,575	\$ 32,802	\$ 0	\$ 814,315
Mr. Pizsel.....	0	2,438	5	0	2,442
Ms. Cook.....	0	275,200	15,900	0	397,100
Mr. Perlman.....	0	0	0	0	0
Mr. May.....	0	94,225	242,402	63,241	3,033,888
Mr. McQuade.....	0	187,325	14,154	0	282,992
Mr. Smialowski.....	0	130,492	8,474	0	190,731

- (1) The SERP does not allow for employee contributions.
- (2) Amounts reported reflect company accruals under the Thrift/401(k) SERP Benefit during 2007. These amounts are also reported in the “All Other Compensation” column of the Summary Compensation Table.
- (3) Amounts reported represent the total interest and other earnings credited to each named executive officer under the Thrift/401(k) SERP Benefit and the Executive Deferred Compensation Plan during 2007. Above-market earnings of \$87,624 for Mr. May are reflected in the column “Change in Pension Value and Nonqualified Deferred Compensation Earnings” in the Summary Compensation Table for 2007 because Mr. May was a participant in the Executive Deferred Compensation Plan. The credited interest rate for deferrals under the Executive Deferred Compensation Plan for 2007 was 9.25%.
- (4) Mr. May received a distribution under the Executive Deferred Compensation Plan during 2007 because the deferral period for a prior deferral election expired.
- (5) Amounts reported reflect the accumulated balances under the Thrift/401(k) SERP Benefit for each named executive officer, including non-vested accruals and, for Mr. May, accumulated balances under the Executive Deferred Compensation Plan. Matching contribution accruals vest immediately, whereas the basic contribution accruals as of December 31, 2007 are subject to a five-year cliff-vesting schedule. Because none of the named executive officers, other than Mr. May, has met the five-year vesting requirement for the basic contribution, the difference in the aggregate balance above and the vested balance is equal to the non-vested basic contributions plus earnings. The vested and non-vested components for each named executive officer are as follows: Mr. Syron: vested balance: \$537,968; non-vested balance: \$276,347; Mr. Pizsel: vested balance: \$2,442; non-vested balance: \$0; Ms. Cook: vested balance: \$265,176; non-vested balance: \$131,924; Mr. McQuade: vested balance: \$189,037; non-vested balance: \$93,955; and Mr. Smialowski: vested balance: \$122,076; non-vested balance: \$68,654. Mr. May is fully vested. For a more detailed discussion of the matching contribution accruals and basic contribution accruals, see “Supplemental Executive Retirement Plan — Thrift/401(k) SERP Benefit” below.

Potential Payments Upon Termination or Change in Control

We have entered into certain employment agreements or offer letters and maintain certain plans that will require us to provide compensation to our named executive officers in the event of a termination of employment or a change in control of Freddie Mac. The compensation and benefits payable to each named executive officer as of December 31, 2007 are shown in the tables below. For more information, see “Employment and Separation Agreements” below. OFHEO has reviewed the terms of the employment and separation agreements for Ms. Cook and Messrs. Syron, Pizsel, Perlman, McQuade and Smialowski and has approved the termination benefits set forth therein.

Each of our named executive officers is subject to a restrictive covenant and confidentiality agreement with us. The standard agreement provides that the executive officer will not seek employment with one of our competitors in the 12 months immediately following termination of his or her employment with us, regardless of whether the executive's employment is terminated by the executive, by us, or by a joint decision. During that same 12-month period, each executive also agrees not to solicit or recruit any of our managerial employees. The agreement provides for continued confidentiality of information about us that constitutes trade secrets or proprietary or confidential information. In the case of Mr. Syron, the terms of his employment agreement provide for a non-competition period of two years following the termination of his employment with us, rather than the standard 12 months.

As of December 31, 2007, other than Mr. May, none of the named executive officers were eligible for benefits under the Pension Plan and the Pension SERP benefit. The amounts presented in the tables below do not include vested RSU or stock option awards or vested balances in the Thrift/401(k) SERP Benefit or the Executive Deferred Compensation Plan as of December 31, 2007 because such vesting was not in connection with a termination or change in control. Amounts shown in the tables also do not include certain items available to all employees generally upon a termination event.

For RSUs, the value shown in the tables is calculated on a grant-by-grant basis by multiplying the number of unvested RSUs by the closing price of our common stock on December 31, 2007. For stock options, the value shown in the tables is calculated on a grant-by-grant basis by multiplying the number of unvested options granted by the difference between the exercise price for such option and the closing price of our common stock on December 31, 2007.

Alternative Settlement Provisions of Equity Awards in the Event of Certain Terminations

RSUs

The RSUs awarded to our employees, including the named executive officers, provide for alternative settlement provisions in the event of certain terminations, as follows:

- Immediate vesting and settlement occurs in the event of death or disability.
- In the event of normal retirement, as defined in the 2004 Employee Plan, RSUs will vest immediately and will be settled in accordance with the vesting schedule outlined in the award agreement as if termination had not occurred, with the exception that RSUs granted within one year of retirement will be forfeited. This treatment is subject to the executive's signing an agreement containing certain restrictive covenants, including, but not limited to, non-competition, non-solicitation, continued cooperation and other matters to protect our business interests. Violation of any of the covenants results in the forfeiture of unsettled shares and the requirement to repay any after-tax gain realized from the settlement of shares within 12 months of the forfeiture event. In the event of retirement other than a normal retirement, as defined in the 2004 Employee Plan, the vesting and settlement of awards may be accelerated at the discretion of the CHRC with respect to the named executive officers other than Messrs. Syron and McQuade. This provision is not applicable to the awards granted to Messrs. Syron and McQuade, as their employment agreements govern the treatment of long-term equity awards under various termination scenarios.

- In the event of a termination due to “special circumstances,” such as a reorganization, a job relocation, or a restructuring or other no-fault displacement, as determined in the sole and absolute discretion of the Chairman and Chief Executive Officer, the RSUs vest immediately and settle in accordance with the vesting schedule outlined in the award agreement as if termination had not occurred. This provision is not applicable to the awards granted to Messrs. Syron and McQuade and to Messrs. Pizel’s and Perlman’s sign-on grants, as their agreements govern the treatment of long-term equity awards under various termination scenarios.

Stock Options

The stock options granted to our employees, including the named executive officers, provide for alternative settlement provisions in the event of certain terminations, which are similar to the provisions for RSUs, with the following modifications:

- The stock options remain exercisable for three years after the date of termination in the event of death.
- The stock options remain exercisable for the full balance of their term in the event of disability.
- In the event of retirement, as defined in the 2004 Employee Plan, stock options will continue to vest and remain exercisable for the full balance of the term, subject to the executive’s signing an agreement containing the same restrictive covenants as described above for RSUs.
- The stock options will continue to vest and remain exercisable for the full balance of their term in the event of termination due to “special circumstances” as described above for RSUs. This provision is not applicable to the awards granted to Messrs. Syron and McQuade as their employment agreements govern the treatment of long-term equity awards under various termination scenarios.
- If the individual’s employment is terminated for any reason other than those described above, the employee has 90 days after termination to exercise options vested as of the date of termination.

Richard F. Syron

The following table describes the potential payments as of December 31, 2007 upon termination or a change in control of Freddie Mac for Richard F. Syron, our Chief Executive Officer.

Benefits and Payments Upon Termination	Voluntary Without Good Reason Resignation ⁽¹⁾	Involuntary For Cause Termination ⁽²⁾	Voluntary For Good Reason Resignation or Involuntary Without Cause Termination ⁽¹⁾⁽³⁾	Death or Disability ⁽⁴⁾	Change in Control (Without Termination) ⁽⁵⁾
Compensation:					
Base Salary	—	—	\$ 1,100,000	—	—
Annual Bonus	—	—	2,640,000	\$ 1,320,000	—
Equity Awards	—	—	13,852,956	10,685,749	\$13,852,956
Special Performance Award ⁽⁶⁾	—	—	—	—	—
Repayment to Freddie Mac⁽⁷⁾	\$(1,250,000)	\$(1,250,000)	—	—	—
Benefits:					
Non-qualified Pension	—	—	1,461,895	1,461,895	—
Deferred Compensation Payouts	—	—	—	276,347	—
Life Insurance Proceeds	—	—	—	9,591,360	—
Disability Benefits	—	—	—	505,392	—
Total	\$(1,250,000)	\$(1,250,000)	\$19,054,851	\$23,840,743 ⁽⁸⁾	\$13,842,956

- (1) “Good reason” includes: a reduction in Mr. Syron’s then current base salary, annual target bonus or maximum bonus opportunity; Mr. Syron’s removal from the position of Chief Executive Officer or Chairman of the board, unless such removal is for “cause;” a material diminution of Mr. Syron’s duties or responsibilities; a change in our reporting structure so that Mr. Syron reports to any person or entity other than the board; a request that Mr. Syron resign his employment, unless such resignation is requested for “cause;” Mr. Syron is not elected to the board, or, if Mr. Syron is elected, he is not appointed as Chairman or Executive Chairman of the board, unless such action is for “cause;” and Mr. Syron’s removal by the board as Executive Chairman of the board after the appointment of a successor Chief Executive Officer prior to December 31, 2009, unless such removal is for “cause.” The board’s appointment of a successor Chief Executive Officer and Mr. Syron ceasing to be our Chief Executive Officer and becoming Executive Chairman of our board would not constitute “good reason.”
- (2) Mr. Syron may be considered for a bonus attributable to 2007 under this termination event, at the discretion of the CHRC.
- (3) The amount reported under Base Salary reflects the November 9, 2007 amendment to Mr. Syron’s employment agreement. The amount reported under Annual Bonus reflects the sum of Mr. Syron’s target bonus attributable to each of 2007 and 2008 originally agreed to in his December 31, 2003 employment agreement. The amount reported under Equity Awards reflects \$8,800,000 in cash for the unvested long-term equity award granted in 2007; the value of all unvested RSUs granted prior to 2007, which vest immediately upon such termination; and the value of all unvested options granted prior to 2007, which become exercisable immediately upon such termination. The amount reported under Non-qualified Pension reflects the non-vested lump sum value of the Pension SERP Benefit as of September 30, 2007. Mr. Syron’s employment agreement provides for payment of the non-vested Pension SERP Benefit under this termination event. Mr. Syron and his spouse also are entitled, until each of them reaches age 65 (at their expense), to continue to participate in health and related welfare plans in which they participated prior to Mr. Syron’s termination.

- (4) The amount reported under Annual Bonus reflects a \$1,320,000 target bonus attributable to 2007. The amount reported under Equity Awards reflects the value of all outstanding RSUs, which vest immediately upon such termination, and the value of all unvested stock options, which become exercisable immediately upon such termination. The amount reported under Non-qualified Pension reflects the non-vested Pension SERP Benefit as of September 30, 2007, which is payable under a disability event. The amount reported under Deferred Compensation Payouts reflects the non-vested Thrift/401(k) SERP Benefit as of December 31, 2007, which is payable upon a disability event. Mr. Syron is not eligible for the non-vested Pension SERP Benefit or the non-vested Thrift/401(k) SERP Benefit in the event of death. The amount reported under Life Insurance Proceeds reflects the life insurance policies we provide Mr. Syron with benefits totaling \$10,000,000. As of December 31, 2007, the benefit to Mr. Syron's beneficiaries was \$9,591,360, \$6,000,000 of which is Term-Life and \$3,591,360 of which is Endorsement Split Dollar. We are the owner of the Endorsement Split Dollar Policy until the later of his attainment of age 65 or the scheduled termination date, which is December 31, 2008 (the "Scheduled Termination Date"). As of December 31, 2007, in the event of death prior to the Scheduled Termination Date, the remaining \$408,640 would be payable to us. The amount reported under Disability Benefit reflects the amount due to Mr. Syron in the event of disability from December 31, 2007 through the Scheduled Termination Date. An additional \$240,000 would be paid annually under the group long-term disability plan should Mr. Syron be approved for long-term disability.
- (5) This termination event represents a Change in Control in which Mr. Syron does not voluntarily terminate his employment for Good Reason and he is not involuntarily terminated without Cause. If Mr. Syron terminated his employment for Good Reason or he is involuntarily terminated without Cause in connection with the Change in Control, he would receive the amounts reported under the column "Voluntary For Good Reason Resignation or Involuntary Without Cause Termination" in lieu of this amount.
- The amount reported under Equity Awards reflects \$8,800,000 in cash for the unvested long-term equity awards granted in 2007; the value of all unvested RSUs granted prior to 2007, which vest immediately upon such termination; and the value of all unvested options granted prior to 2007, which become exercisable immediately upon such termination. For information on the calculation of the value of these RSUs and options, see Note (3) above.
- (6) The CHRC has the sole discretion to determine if Mr. Syron should be entitled to a payment under his Special Performance Award in the event Mr. Syron's employment terminates due to death, disability or involuntary termination by us without cause or by Mr. Syron for good reason. In the event that Mr. Syron's employment had terminated on December 31, 2007, we do not believe Mr. Syron would have received a payment under the Special Performance Award.
- (7) If Mr. Syron terminates his employment with us other than for good reason or for death or disability before December 31, 2009, he is required to repay his special extension bonus, which is reflected under Repayment to Freddie Mac.
- (8) The amount reflected under Death or Disability includes both Life Insurance Proceeds and Disability Benefits. The Total amount will change based on the actual event. For a death event, the Total amount will exclude the amount reflected under Disability Benefits. For a disability event, the Total amount will exclude the amount reflected under Life Insurance Proceeds.

The following summaries of certain termination scenarios reflect the terms of the November 9, 2007 amendment to Mr. Syron's employment agreement.

Change in Control

Upon a "change in control," any equity award granted to Mr. Syron at least 12 months prior to the change in control will immediately vest. Vested RSUs will be paid out immediately and vested stock options will remain exercisable until the expiration date of the options. Any equity awards granted less than 12 months prior to the change in control will be cancelled in consideration of our payment to Mr. Syron of \$8,800,000 in cash for each cancelled equity award.

Termination Due to Death or Disability

In the event of a termination of his employment prior to December 31, 2009 due to disability or death, we will pay Mr. Syron or his beneficiaries his base salary through the end of the month in

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which termination of employment occurs. We will pay any earned but unpaid bonus amounts from the most recently completed calendar year, plus a prorated percentage of Mr. Syron's target bonus for the calendar year in which employment termination occurs. Also, all RSUs awarded to Mr. Syron will immediately vest and be paid out and all stock options granted will become immediately exercisable. The stock options will remain exercisable: (i) in the event termination occurs as a result of death, until the earlier to occur of (a) the third anniversary of the employment termination or (b) the expiration date of the options; and (ii) in the event termination occurs as a result of disability, until the scheduled expiration date applicable to the options.

Termination for Good Reason or Without Cause

Subject to Mr. Syron's execution of a general release and waiver, in the event that Mr. Syron terminates his employment prior to December 31, 2009 for good reason or is terminated by us without cause, we will pay Mr. Syron a lump sum cash payment equal to the base salary that would have been paid to him for the period beginning on the termination date and ending on December 31, 2008. In the event of a termination at any time in 2009, Mr. Syron would only receive his base salary up to the date of termination. We will pay any earned but unpaid bonus amounts from the most recently completed fiscal year. Also, we will pay Mr. Syron a lump sum cash payment equal to the sum of the target annual bonuses that would have been paid to him in respect of each calendar year that ends during the period beginning on the termination date and ending on December 31, 2008.

All RSUs awarded to Mr. Syron at least 12 months prior to the termination date will immediately vest and be paid out, and all stock options granted to Mr. Syron at least 12 months prior to the termination date will become immediately exercisable. All such stock options will remain exercisable until the earlier to occur of (i) three years following such termination, or (ii) the expiration date of the options. All equity awards granted less than 12 months prior to the termination date will be cancelled in consideration of our payment to Mr. Syron of \$8,800,000 in cash for each cancelled equity award.

In addition, if he is not entitled to the Pension SERP Benefit solely because he is not yet vested under our tax-qualified pension plan, then we will pay Mr. Syron the benefit that would have been payable to him under the SERP as of the date of the termination without regard to the vesting requirement, and he will be entitled to the Thrift/401(k) SERP Benefit in accordance with the terms of the SERP. We will make available to Mr. Syron and his spouse (at their expense) continued health and other similar welfare benefits coverage until the date each reaches age 65.

Termination for Cause

In the event that Mr. Syron's employment is terminated by us for cause prior to December 31, 2009, we will pay Mr. Syron any earned but unpaid base salary through the date of termination and any earned but unpaid bonus amounts from the most recently completed calendar year. All unvested equity awards will be immediately cancelled.

Termination Following the Scheduled Termination Date

In the event that Mr. Syron terminates his employment following December 31, 2009 due to retirement (and at the time of such termination of Mr. Syron's employment we could not have terminated him for cause), all RSUs awarded to Mr. Syron will immediately vest, but will settle

pursuant to the vesting schedule set forth in the grant agreements. All stock options granted to Mr. Syron will become immediately exercisable and will remain outstanding until the expiration date of the options.

Anthony S. Pizsel

The following table describes the potential payments as of December 31, 2007 upon termination for Anthony S. Pizsel, our Executive Vice President and Chief Financial Officer.

<u>Benefits and Payments Upon Termination</u>	<u>Voluntary Resignation⁽¹⁾</u>	<u>Involuntary For Cause Termination⁽¹⁾</u>	<u>Involuntary Termination Other Than For Cause⁽²⁾</u>	<u>Death or Disability⁽³⁾</u>	<u>Special Circumstances Termination⁽⁴⁾</u>
Compensation:					
Base Salary	—	—	\$1,300,000	—	\$1,300,000
Annual Bonus	\$ 1,007,500	\$ 1,007,500	1,007,500	\$1,007,500	1,007,500
Equity Awards	—	—	2,017,114	3,725,759	3,298,589
Repayment to Freddie Mac	(2,500,000)	(2,500,000)	—	—	—
Benefits:					
Non-qualified Pension	—	—	—	71,575	—
Total	\$(1,492,500)	\$(1,492,500)	\$4,324,614	\$4,804,834	\$5,606,089

- (1) The amount reported under Annual Bonus reflects a guaranteed bonus of \$1,007,500 attributable to performance in 2007. If Mr. Pizsel terminates his employment with us for any reason or is terminated for cause before the second anniversary of his employment date, he is required to repay the full \$2,500,000 of his sign-on cash bonus which is reflected under Repayment to Freddie Mac.
- (2) The amount reported under Base Salary reflects two times annualized base salary of \$650,000; under Annual Bonus, reflects a guaranteed bonus of \$1,007,500 attributable to 2007; and under Equity Awards, reflects the continued vesting of Mr. Pizsel's one time sign-on grant in accordance with the vesting schedule outlined in the award agreement as if termination had not occurred.
- (3) The amount reported under Annual Bonus reflects a guaranteed bonus of \$1,007,500 attributable to 2007; and under Equity Awards reflects the value of all unvested RSUs, which will vest and will be settled immediately upon such termination. The amount reported under Non-qualified Pension reflects the non-vested Pension SERP Benefit as of September 30, 2007, which is payable under a disability event. Mr. Pizsel is not eligible for the non-vested Pension SERP Benefit or the non-vested Thrift/401(k) SERP Benefit in the event of death.
- (4) The amount reported under Base Salary reflects two times annualized base salary of \$650,000; and under Annual Bonus, reflects a guaranteed bonus of \$1,007,500 attributable to 2007. Pursuant to the one time sign-on grant award agreement and the long-term equity award agreement for RSUs granted in 2007, Mr. Pizsel's termination would be classified as a "Special Circumstance Termination" if (a) his job were eliminated due to a reorganization or job relocation or if his employment were terminated due to a restructuring or other no fault displacement, as determined by the Chief Executive Officer, and (b) he had executed a written agreement containing non-competition, non-solicitation, and other covenants. Under this provision, the one time sign-on award granted in 2006 and the RSUs granted in 2007 will vest immediately (other than the Performance RSUs, because at December 31, 2007 the CHRC had not determined that the performance criterion had been satisfied), and will be settled in accordance with the vesting schedule outlined in the award agreement as if termination had not occurred.

Mr. Pizsel's October 14, 2006 offer letter provides that if, prior to the fourth anniversary of his employment date, we terminate Mr. Pizsel's employment for any reason other than cause, he will receive a lump sum cash payment equal to two times his annualized base salary in effect at the time of termination. This payment will be made in lieu of any payments under our otherwise applicable severance plan, policy or practice. In the event that Mr. Pizsel's employment is terminated after the fourth anniversary of his employment date, he will be eligible to receive severance pay pursuant to the terms of our applicable severance plan or policy. If Mr. Pizsel terminates his employment with us for any reason or is terminated for cause before the second

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anniversary of his employment date, he is required to repay the full \$2,500,000 of his sign-on cash bonus. If we terminate Mr. Pizsel's employment for any reason other than cause between the first and fourth anniversaries of the date of grant, then the sign-on grant of 78,940 RSUs will vest and continue to settle pursuant to the vesting schedule set forth in the grant agreement. If Mr. Pizsel terminates his employment with us for any reason or is terminated for cause, then any unvested RSUs will be forfeited. Mr. Pizsel is subject to non-competition and non-solicitation of employees restrictions for a period of one year following any termination of his employment.

Patricia L. Cook

The following table describes the potential payments as of December 31, 2007 upon termination for Patricia L. Cook, our Executive Vice President and Chief Business Officer.

Benefits and Payments Upon Termination	Voluntary Resignation or Involuntary For Gross Misconduct Termination	Involuntary Other Than For Gross Misconduct ⁽¹⁾	Death or Disability ⁽²⁾	Special Circumstance Termination ⁽³⁾
Compensation:				
Base Salary	—	\$1,200,000	—	\$1,200,000
Equity Awards	—	—	\$2,950,292	2,110,364
Benefits:				
Non-qualified Pension	—	—	523,074	—
Deferred Compensation Payouts.....	—	—	131,925	—
Total	—	\$1,200,000	\$3,605,291	\$3,310,364

(1) The amount reported for Base Salary reflects the sum of Ms. Cook's annualized base salary of \$600,000 pursuant to her employment agreement plus severance pay equal to Ms. Cook's annualized base salary of \$600,000 pursuant to our officer severance plan. Ms. Cook may be eligible to participate in the 2007 bonus program at the discretion of the Chief Executive Officer, Chief Operating Officer or Executive Vice President, Human Resources and Corporate Services. Any bonus paid under this program will be subject to CHRC approval.

(2) The amount reported under Equity Awards reflects the value of all unvested RSUs, which will vest and will be settled immediately upon such termination, and the value of all unvested stock options, which become exercisable immediately upon such termination. The amount reported under Non-qualified Pension reflects the non-vested Pension SERP Benefit as of September 30, 2007, which is payable under a disability event. The amount reported under Deferred Compensation Payouts reflects the non-vested Thrift/401(k) SERP Benefit as of December 31, 2007, which is payable upon a disability event. Ms. Cook is not eligible for the non-vested Pension SERP Benefit or the non-vested Thrift/401(k) SERP Benefit in the event of death. Ms. Cook may be eligible to participate in the 2007 bonus program at the discretion of the Chief Executive Officer, Chief Operating Officer or Executive Vice President, Human Resources and Corporate Services. Any bonus paid under this program will be subject to CHRC approval.

(3) The amount reported under Base Salary reflects the sum of Ms. Cook's annualized base salary of \$600,000 pursuant to her offer letter plus severance pay equal to Ms. Cook's annualized base salary of \$600,000 pursuant to our officer severance plan. The amount reported under Equity Awards reflects the value of Ms. Cook's 2007 long-term equity awards as of December 31, 2007.

Pursuant to the long-term equity award agreement for awards made in 2006 and for RSUs granted in 2007, Ms. Cook's termination would be classified as a "Special Circumstance Termination" if (a) her job were eliminated due to a reorganization or job relocation or if her employment were terminated due to a restructuring or other no fault displacement, as determined by the Chief Executive Officer, and (b) she had executed a written agreement containing non-competition, non-solicitation, and other covenants. Under this provision, long-term equity awards granted in 2006 and RSUs granted in 2007 will vest immediately (other than the Performance RSUs, because at December 31, 2007 the CHRC had not determined that the performance criterion had been satisfied), and will be settled in accordance with the vesting schedule outlined in the award agreement as if termination had not occurred.

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Ms. Cook's July 8, 2004 offer letter, as amended by a letter agreement dated July 9, 2004 and action taken by the CHRC on May 6, 2005, provides that, if we terminate Ms. Cook on or after the second anniversary of her employment date but prior to her sixty-second birthday for any reason other than gross misconduct, as this term may be modified in our sole discretion from time to time, or any other willful or malicious misconduct on her part that is substantially injurious to us, she will receive a lump sum cash severance payment in the amount of \$600,000. If Ms. Cook's employment with Freddie Mac terminates for any reason (other than disability or death or a special circumstances termination) prior to the settlement of her RSU grants, she forfeits all of the unsettled grants.

Pursuant to the terms of a Restrictive Covenant Agreement between Ms. Cook and us, in the event that she is eligible for severance pay pursuant to the terms of our officer severance policy upon the termination of her employment, the amount she would receive is equal to her annualized base salary at the time of termination; provided, that she executes a general release and waiver that is satisfactory to us which may contain, in addition to a release of claims, provisions related to non-participation in others' claims against us, non-competition and non-solicitation provisions akin to Mr. Pizsel's, and non-disparagement, continued cooperation and treatment of confidential information and such other provisions as we deem appropriate.

Michael Perlman

The following table describes the potential payments as of December 31, 2007 upon termination for Michael Perlman, our Executive Vice President, Operations and Technology.

Benefits and Payments Upon Termination	Voluntary Resignation ⁽¹⁾	Involuntary Other Than For Gross Misconduct or Special Circumstances Termination ⁽²⁾	Death or Disability ⁽³⁾
Compensation:			
Base Salary	—	\$1,000,000	—
Annual Bonus	\$1,225,000	3,675,000	\$1,225,000
Equity Awards	—	688,418	688,418
Repayment to Freddie Mac	(550,000)	(550,000)	—
Total	\$ 675,000	\$4,813,418	\$1,913,418

- (1) If Mr. Perlman terminates his employment with us for any reason other than death or disability before the second anniversary of his employment date, he is required to repay the full \$550,000 of his sign-on cash bonus which is reflected under Repayment to Freddie Mac.
- (2) The amount reported under Base Salary reflects two times annualized base salary of \$500,000; under Annual Bonus, reflects a guaranteed bonus of \$1,225,000 plus two times Mr. Perlman's target bonus of \$1,225,000 attributable to 2007; and under Equity Awards, reflects the continued vesting of Mr. Perlman's one time sign-on grant. Pursuant to the long-term equity agreement for Mr. Perlman's sign-on grant, Mr. Perlman's termination would be classified as a "Special Circumstances Termination" if (a) his job were eliminated due to a reorganization or job relocation or if his employment were terminated due to a restructuring or other no fault displacement, as determined by the Chief Executive Officer, and (b) he had executed a written agreement containing non-competition, non-solicitation, and other covenants. Under this provision, the sign-on grant will vest immediately and will be settled in accordance with the vesting schedule outlined in the award agreement as if termination had not occurred.
- (3) The amount reported under Annual Bonus reflects a guaranteed bonus of \$1,225,000 attributable to 2007 and under Equity Awards reflects the value of all outstanding RSUs, which vest immediately upon such termination.

Mr. Perlman's July 24, 2007 offer letter provides certain benefits to Mr. Perlman in lieu of severance if we terminate his employment prior to the second anniversary of his employment. If we

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terminate Mr. Perlman’s employment on or before the second anniversary of his employment date for any reason other than gross misconduct or for violating any of our standards of conduct, attendance or behavior, we will make a lump-sum cash payment to him equal to two times the sum of his annualized base salary and target short-term incentive in effect at the time of termination. If we terminate Mr. Perlman’s employment between the second and third anniversaries of his employment date for any reason other than gross misconduct or for violating any of our standards of conduct, attendance or behavior, we will make a lump-sum cash payment to him equal to the sum of his annualized base salary and target short-term incentive in effect at the time of termination. In addition, if we terminate Mr. Perlman’s employment on or before the third anniversary of his employment date for any reason other than gross misconduct or for violating any of our standards of conduct, attendance or behavior, we will pay Mr. Perlman a prorated target bonus for the year in which he terminated employment, based on the number of months elapsed during such calendar year, and all outstanding RSUs and/or stock options will continue to vest according to the vesting schedule set forth in the grant agreements.

Michael C. May

The following table describes the potential payments as of December 31, 2007 upon termination for Michael C. May, our Senior Vice President, Multifamily Sourcing.

Benefits and Payments Upon Termination	Voluntary Resignation or Involuntary For Gross Misconduct Termination	Involuntary Other Than For Gross Misconduct ⁽¹⁾	Death or Disability ⁽²⁾	Special Circumstance Termination ⁽³⁾
Compensation:				
Base Salary	—	\$418,000	—	\$418,000
Bonus	—	—	—	—
Equity Awards	—	—	\$900,095	545,120
Total	—	\$418,000	\$900,095	\$963,120

- (1) The amount reported for Base Salary reflects Mr. May’s annualized base salary of \$418,000. Mr. May may be eligible to participate in the 2007 bonus program at the discretion of the Chief Executive Officer, Chief Operating Officer or Executive Vice President, Human Resources and Corporate Services. Any bonus paid under this program will be subject to CHRC approval.
- (2) The amount reported under Equity Awards reflects the value of all unvested RSUs, which will vest and will be settled immediately upon such termination, and the value of all unvested stock options, which become exercisable immediately upon such termination. Mr. May may be eligible to participate in the 2007 bonus program at the discretion of the Chief Executive Officer, Chief Operating Officer or Executive Vice President, Human Resources and Corporate Services. Any bonus paid under this program will be subject to CHRC approval.
- (3) The amount reported under Base Salary reflects Mr. May’s annualized base salary of \$418,000 pursuant to our officer severance plan. The amount reported under Equity Awards reflects the value of Mr. May’s 2007 long-term equity awards as of December 31, 2007.

Pursuant to the long-term equity award agreement for awards made in 2006 and for RSUs granted in 2007, Mr. May’s termination would be classified as a “Special Circumstance Termination” if (a) his job were eliminated due to a reorganization or job relocation or if his employment were terminated due to a restructuring or other no fault displacement, as determined by the Chief Executive Officer, and (b) he had executed a written agreement containing non-competition, non-solicitation, and other covenants. Under this provision, long-term equity awards granted in 2006 and RSUs granted in 2007 will vest immediately (other than the Performance RSUs, because at December 31, 2007 the CHRC had not determined that the performance criterion had been satisfied), and will be settled in accordance with the vesting schedule outlined in the award agreement as if termination had not occurred.

Eugene M. McQuade

We entered into an August 3, 2004 employment agreement with Mr. McQuade which provided for his employment as President and Chief Operating Officer, effective September 1, 2004. The agreement had an initial term of three years and on May 1, 2007, Mr. McQuade informed us that he would leave the company at the conclusion of that employment agreement, September 1, 2007. We did not enter into any separation agreements with Mr. McQuade and the CHRC did not accelerate the vesting of Mr. McQuade's unvested RSUs and stock options. Under the terms of his employment agreement, Mr. McQuade remains subject to non-competition and non-solicitation restrictions for periods of two years and one year, respectively, following his termination of employment with us. Under our stock compensation plans, all outstanding and unvested stock options and RSUs as of September 1, 2007 were forfeited, and all vested and unexercised stock options remained exercisable for 90 days following his departure.

Joseph A. Smialowski

Mr. Smialowski joined us as our Executive Vice President, Operations and Technology on December 1, 2004. Mr. Smialowski resigned from this position effective June 30, 2007 and served as a special advisor to our Chairman and Chief Executive Officer until December 31, 2007. We entered into a Transition Period Agreement with Mr. Smialowski effective June 29, 2007, which provided for the following:

- Mr. Smialowski's continued service to Freddie Mac through December 31, 2007 at his then-current base salary of \$550,000, together with a cash bonus of \$1,150,000 payable on January 31, 2008, which is equal to his target bonus for the 2007 performance year, and a supplemental cash payment of \$200,000, also payable on January 31, 2008.
- Mr. Smialowski's assistance with the transition of his responsibilities to a successor Executive Vice President, Operations and Technology.
- Mr. Smialowski's agreement to serve in an on-call consulting role once his successor has been named and a transition of his responsibilities has been completed.
- All outstanding and unvested stock options and RSUs as of December 31, 2007 will be forfeited, and all vested and unexercised stock options will remain exercisable for 90 days following his departure.

Employment and Separation Agreements

The employment agreements or offer letters described below for Mr. Syron, Mr. Pizel, Ms. Cook and Mr. Perlman are available on Freddie Mac's website at www.freddiemac.com/governance. For information on the termination provisions in Mr. Syron's, Mr. Pizel's, Ms. Cook's and Mr. Perlman's employment agreements or offer letters, as well as certain compensation agreements we entered into with Messrs. McQuade and Smialowski, see "Potential Payments Upon Termination or Change in Control" above.

We entered into employment agreements or offer letters with each of the named executive officers, with the exception of Mr. May, when they first joined us. All of our named executive officers, with the exception of Mr. May, are parties to currently effective agreements. Some agreements contain minimum guarantees with respect to base pay, bonus, and long-term equity

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awards, as well as special provisions applicable upon termination. The CHRC and management considered the executive protections (such as guaranteed bonuses and special termination benefits) provided by each of these agreements necessary in order to achieve our goal of recruiting and retaining exceptional leaders and executive officers during a time of transition.

The employment agreement or offer letter for Messrs. Syron and Perlman set their respective base salaries, minimum bonus opportunities, and long-term equity award opportunities.

Richard F. Syron

Mr. Syron was appointed Chairman of the Board and Chief Executive Officer, effective December 31, 2003. The terms of his employment with us are governed by (a) a December 6, 2003 employment agreement, as supplemented by a December 12, 2003 agreement and as amended by a November 9, 2007 amendment, (b) a June 1, 2006 compensation agreement and (c) a March 3, 2007 compensation agreement. The June 1, 2006 agreement superseded the provisions of Mr. Syron's employment agreement that pertain to his cash bonus target for performance during 2006. The March 3, 2007 agreement superseded the provisions of Mr. Syron's employment agreement that pertain to his cash bonus target for performance during 2007 and to his 2007 annual equity award.

The November 9, 2007 amendment extends the terms of Mr. Syron's original employment agreement from December 31, 2008 to December 31, 2009. Mr. Syron will continue to serve as Chairman of the Board and Chief Executive Officer until his successor as Chief Executive Officer is appointed, at which time Mr. Syron will become Executive Chairman of the Board for the balance of his extended term. Mr. Syron will actively assist us in recruiting and retaining his successor as Chief Executive Officer.

The amended agreement increased Mr. Syron's base salary to \$1,300,000, effective as of July 1, 2007. The amended agreement also provides for a special extension bonus of \$3,500,000, payable in installments of \$1,250,000 after its effective date, \$1,500,000 after July 1, 2008 and \$750,000 after July 1, 2009. This special bonus is payable only if Mr. Syron remains employed with us as of each of these dates and is subject to repayment by Mr. Syron if he terminates his employment with us before December 31, 2009 other than for good reason, as defined in the amended agreement.

The amended agreement also provides that Mr. Syron will have the opportunity to earn an annual cash bonus, based on performance criteria determined by the CHRC, for 2007 in a target amount of 278% of his bonus-eligible earnings, for 2008 in a target amount of 302% of his bonus-eligible earnings and for 2009 in a target amount of 322% of his bonus-eligible earnings, provided that Mr. Syron remains employed by us through the end of the applicable calendar year. For any of these years, the annual bonus actually awarded may range from 0% to 200% of the actual target, depending on Mr. Syron's performance during the year.

Mr. Syron received an additional equity grant in December 2007 of RSUs in the amount of \$800,000 pursuant to the amended agreement. In 2008, Mr. Syron will be entitled to an equity grant valued at \$9,400,000, of which \$8,800,000, the amount provided for in his original employment agreement, will be guaranteed. In 2009 he will be entitled to an equity grant valued at \$10,000,000, none of which will be guaranteed. The size of the actual grants, to the extent not guaranteed, will be determined based on an assessment of performance criteria established by the CHRC.

In addition to the provisions of the amended agreement, the CHRC has established a special cash performance award opportunity for Mr. Syron. This opportunity is described in more detail in “Compensation Discussion and Analysis — Compensation Structure — Chief Executive Officer Special Performance Award Opportunity.”

During the term of the employment agreement, we will maintain, at our cost, insurance on the life of Mr. Syron for the benefit of his beneficiaries, with a benefit equal to \$10,000,000. If Mr. Syron remains employed by us through December 31, 2008, upon the later to occur of December 31, 2008 and his turning 65, we will deliver to Mr. Syron a fully paid-up permanent life insurance policy with a face amount equal to \$4,000,000 and will maintain \$6 million in term life insurance during his employment in 2009.

Pursuant to his employment agreement, Mr. Syron is entitled to participate in all other compensation and employee benefit or perquisite programs generally available from time to time to our senior executives, on the terms and conditions then prevailing under each such program, except that Mr. Syron is not eligible to participate in our officer severance plan or policy.

Anthony S. Pizel

Mr. Pizel joined us as our Executive Vice President and Chief Financial Officer on November 13, 2006. Under the terms of an offer letter dated October 14, 2006, Mr. Pizel receives an annualized base salary of \$650,000 and the opportunity to earn annual bonuses and long-term equity awards. Under the terms of the agreement, Mr. Pizel received a one-time sign-on bonus in the amount of \$7,500,000, composed of \$2,500,000 in cash and \$5,000,000 in the form of RSUs. Mr. Pizel’s one-time sign-on bonus was structured to take into account the long-term incentive opportunity that Mr. Pizel forfeited at his prior employer in order to join Freddie Mac. The number of RSUs subject to the sign-on award is 78,940, which vest in four equal annual installments beginning on December 7, 2007. The agreement also provides Mr. Pizel with an opportunity to earn an annual cash bonus targeted at \$1,007,500, with guaranteed minimum annual bonuses for 2006 and 2007 of \$600,000 and \$1,007,500, respectively.

The offer letter provides Mr. Pizel with an annual long-term equity award with a targeted aggregate value of \$3,000,000, with a guaranteed minimum equity award in 2007 of \$3,000,000. The long-term equity award vests in four equal annual installments beginning on the first anniversary of the grant date.

Patricia L. Cook

Ms. Cook joined us as our Executive Vice President, Investments on August 2, 2004 and became Executive Vice President, Investments and Capital Markets on February 1, 2005 and Executive Vice President and Chief Business Officer on June 5, 2007. Under the terms of an offer letter dated July 8, 2004, as amended by a letter agreement dated July 9, 2004 and action taken by the CHRC on May 6, 2005, Ms. Cook receives an annualized base salary of \$600,000 and an annual cash bonus targeted at 167% of her bonus eligible earnings (currently defined as base salary), subject to a maximum of 200% of this target, absent approval by the CHRC of a greater

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amount. Ms. Cook also has the opportunity to earn an annual long-term equity award that has no maximum award restriction.

Michael C. May

Mr. May joined us in 1983 and was appointed our Senior Vice President, Multifamily Sourcing in August 2005. We do not have any agreements with Mr. May regarding the terms of his employment.

Michael Perlman

Mr. Perlman joined us as our Executive Vice President, Operations and Technology on August 1, 2007. Under the terms of an offer letter dated July 24, 2007, Mr. Perlman receives an annualized base salary of \$500,000 and the opportunity to earn annual bonuses and long-term equity awards. The letter agreement provides Mr. Perlman with an opportunity to earn an annual cash bonus targeted at 245% of his bonus eligible earnings, with a guaranteed minimum bonus attributable to performance during calendar year 2007 of \$1,225,000. Mr. Perlman also will be eligible for an annual long-term equity award with a targeted aggregate value of \$1,525,000, with a guaranteed minimum award attributable to performance during calendar year 2007 of \$1,525,000.

Under the terms of a cash sign-on payment letter agreement, Mr. Perlman received a one-time cash payment of \$550,000, which must be repaid if, prior to the second anniversary of Mr. Perlman's start date, Mr. Perlman's employment is terminated. Mr. Perlman also received a one-time sign-on equity award in the form of RSUs with a total dollar value of \$1,200,000. Mr. Perlman's one-time sign-on equity award was designed to take into account the long-term incentive opportunity that Mr. Perlman forfeited at his prior employer in order to join Freddie Mac. The number of RSUs subject to the sign-on award is 20,206, which vest in three equal installments beginning on the first anniversary of the grant date.