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Freddie Mac
8200 Jones Branch Drive
McLean, Virginia 22102

TO THE STOCKHOLDERS OF FREDDIE MAC

June 14, 2005

Dear Freddie Mac Stockholder:

We are pleased to invite you to attend Freddie Mac's annual stockholders' meeting to be held on Friday, July 15, 2005, at 9:00 a.m. (eastern time) at the Freddie Mac campus, 8000 Jones Branch Drive, McLean, Virginia 22102. The Proxy Statement and Notice of Annual Meeting of Stockholders accompanying this letter describes the business to be transacted at the meeting. This Proxy Statement and the accompanying proxy card are first being mailed to stockholders on June 14, 2005.

We hope you will be able to attend the annual meeting and urge you to read the enclosed Proxy Statement and Notice, as well as the accompanying Information Statement and Annual Report to Stockholders and the audited financial statements included in the Annual Report, for information about Freddie Mac and the annual meeting. Please complete, sign and return the enclosed proxy card, or vote by Internet or by telephone, at your earliest convenience. Sending your proxy card, or voting by Internet or by telephone, will not affect your right to vote your shares personally if you do attend the meeting. Please indicate whether you plan to attend the meeting on the proxy card.

Sincerely,

A handwritten signature in cursive script that reads "Richard F. Syron".

Richard F. Syron
Chairman of the Board and Chief Executive Officer

FEDERAL HOME LOAN MORTGAGE CORPORATION

PROXY STATEMENT AND NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

Our annual meeting of stockholders will be held on Friday, July 15, 2005, at 9:00 a.m. (eastern time) at the Freddie Mac office located at 8000 Jones Branch Drive, McLean, Virginia 22102, for the purposes of:

- (1) electing 13 members to our Board of Directors, each for a term ending on the date of our next annual meeting;
- (2) ratifying the appointment of PricewaterhouseCoopers LLP as our independent auditors for the fiscal year ending December 31, 2005; and
- (3) transacting any other business that may properly come before the meeting or any adjournment thereof.

RECORD DATE

May 27, 2005 is the record date for the annual meeting. This means that owners of Freddie Mac common stock at the close of business on that date are entitled to receive notice of the meeting, and vote at the meeting or any meeting adjournment.

Stockholders of record on the record date will be admitted to the meeting with photo identification and verification of stock ownership (as described in "What to Bring to the Meeting" below).

WHO MAY ATTEND THE MEETING

Only stockholders, persons holding proxies from stockholders and invited representatives of the media may attend the meeting.

WHAT TO BRING TO THE MEETING

If your shares are registered in your name, you should bring the bottom half of the proxy card, which is your admission ticket, and photo identification to the meeting.

If your shares are held in the name of a broker, trust, bank or other nominee, you will need to bring proof of stock ownership such as an account statement, or a proxy or letter from your broker, trust, bank or nominee which confirms that you are the beneficial owner of those shares, and photo identification.

WEBCAST OF THE MEETING

If you are not able to attend the meeting in person, you may listen to a live webcast of the meeting on the Internet by visiting <http://www.freddiemac.com/investors> at 9:00 a.m. (eastern time) on July 15, 2005. You will not be able to ask questions unless you attend the meeting in person.

SECURITY AND PARKING AT THE MEETING

The annual meeting will be held at the Freddie Mac campus. The campus consists of several buildings, so please take note that 8000 Jones Branch Drive is the building where the meeting will be held.

Reserved parking will be available for annual meeting attendees. Security measures will require that photo identification and your admission ticket or proof of stock ownership (as described in "What to Bring to the Meeting" above) be presented to the security guard in order to access the reserved parking area.

Our Board of Directors recommends that you vote **“FOR”** the election of directors and the ratification of the appointment of our independent auditors.

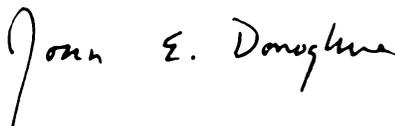
Your vote is important. Please vote your proxy promptly so your shares can be represented at the meeting, even if you plan to attend the meeting. You can vote by Internet, by telephone, or by using the enclosed proxy card. Please see your proxy card for specific instructions on how to vote.

Our proxy tabulator, EquiServe, Inc., must receive any proxy that will not be delivered in person to the annual meeting by 11:59 p.m., eastern time on Thursday, July 14, 2005.

You have the power to revoke a proxy at any time before its exercise by giving the Corporate Secretary of Freddie Mac written notice of your revocation, by submitting a later dated proxy or by voting the shares in person at the meeting.

The accompanying Proxy Statement contains information describing each matter we expect to be presented for action at the meeting.

By Order of the Board of Directors,

A handwritten signature in black ink that reads "Joan E. Donoghue". The signature is written in a cursive style with a large initial 'J'.

Joan E. Donoghue
*Senior Vice President, General Counsel and
Corporate Secretary*

Dated: June 14, 2005
McLean, Virginia

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ABOUT THE MEETING

Who is soliciting my vote?

The Board of Directors of Freddie Mac is soliciting your vote on proposals being submitted to our annual meeting of stockholders to be held on July 15, 2005.

What am I voting on?

You will be voting on the following two items:

- election of 13 members to the Board (see page 11); and
- ratification of the appointment of PricewaterhouseCoopers LLP as our independent auditors for the fiscal year ending December 31, 2005 (see page 49).

The Board is not aware of any other matters to be presented for a vote at the meeting.

Who is entitled to vote?

Holders of record of our common stock, par value \$0.21 per share, as of the close of business on May 27, 2005, the record date, are entitled to vote at the annual meeting. As of April 30, 2005, there were 691,287,891 votes that could be cast at the annual meeting by all stockholders, consisting of one vote for each share of Freddie Mac common stock outstanding as of such date. We have no other outstanding classes of stock that are entitled to vote at the annual meeting.

How many votes do I have?

Stockholders entitled to vote have one vote on all matters for each share of Freddie Mac common stock they owned on the record date. There is no cumulative voting. For purposes of determining the number of votes cast with respect to any voting matter, only those votes cast “for” or “against” are counted; “votes withheld” and “abstentions” are not counted.

How do I vote by proxy?

Stockholders can vote by proxy in three ways: by Internet; by telephone; or by mail (using the enclosed proxy card). Please see your proxy card or the information provided to you by your bank, trust, broker or other holder of record for more information on how to vote by proxy. If you vote by proxy, your shares will be voted at the annual meeting in the manner you indicate.

What if I hold shares indirectly?

If you hold shares in a stock brokerage account or through a bank, trust or other nominee, you are considered to be the beneficial owner of shares held in “street name” and these proxy materials are being forwarded to you by your broker or nominee. You may not vote directly any shares held in “street name”; however, as the beneficial owner you have the right to direct your broker or nominee on how to vote.

If you hold shares in “street name” and you want to attend or vote in person at the annual meeting, you must bring to the meeting proof of stock ownership such as an account statement or a proxy or letter from your broker or nominee which confirms that you are the beneficial owner of those shares.

About the Meeting

Can I change my vote after I return my proxy card?

Yes. You can change or revoke your proxy by Internet, by telephone or by mail at any time before the annual meeting, regardless of the method by which you previously cast your vote.

Can I vote in person at the annual meeting?

Yes. However, we encourage you to vote by Internet, by telephone, or by completing and returning the enclosed proxy card to ensure that your shares are represented and voted.

How many votes must be present to hold the meeting?

Your shares are counted as present at the meeting if you attend the meeting or if you properly return a proxy by mail, by telephone or by Internet. To conduct the meeting, a majority of our outstanding shares of common stock as of May 27, 2005 must be present in person or by proxy at the meeting. This is referred to as a quorum. Abstentions and broker or nominee non-votes will be counted for purposes of establishing a quorum at the meeting. If a quorum is not present, the meeting will be adjourned until a quorum is present. We urge you to vote by proxy even if you plan to attend the annual meeting so that we will know as soon as possible that enough votes will be present for us to hold the meeting.

How many votes are needed to approve Freddie Mac's proposals?

The 13 nominees for director who receive the greatest number of "for" votes will be elected as directors. This number is called a plurality. Shares not voted will have no impact on the election of directors. If you properly return a proxy, your proxy will be voted "for" each of the nominees for director unless a properly executed proxy is marked "vote withheld" as to a particular nominee or nominees for director.

The ratification of the appointment of PricewaterhouseCoopers as our independent auditors for the fiscal year ending December 31, 2005 requires a majority of the votes cast at the meeting to be voted "for" the proposal. A properly executed proxy marked "abstain" with respect to the proposal will not be counted as a vote cast.

Does any stockholder control as much as 5% of any class of Freddie Mac's voting stock?

Yes. Based on a review of beneficial ownership reports as of December 31, 2004 that are filed with us and that are the equivalent of Schedule 13G and 13D reports filed with the Securities and Exchange Commission, or the SEC, and in reliance on updates to those reports based on a review of Form 13F filings with the SEC, as of March 31, 2005, Capital Research and Management Company, 333 South Hope Street, 55th Floor, Los Angeles, CA 90071-1447, beneficially owned 53,842,725 shares, or 7.8%, of our outstanding common stock. We are unaware of any other stockholders beneficially owning more than 5% of our outstanding common stock.

How will voting on any other business be conducted?

We currently do not know of any business to be considered at the annual meeting other than the proposals described in this Proxy Statement. If any other business is properly presented at the annual meeting, your signed proxy gives authority to the named proxies to vote your shares on such matters at their discretion.

About the Meeting

Is my vote confidential?

Yes. Proxy cards, ballots, telephone votes, Internet votes and voting tabulations that identify individual stockholders are confidential. Only certain employees who collect the proxy cards and ballots at the annual meeting, or who receive and review telephone and Internet votes, and the inspectors of election who process proxy cards, ballots, telephone votes and Internet votes and count the vote will have access to your proxy card, ballot, telephone vote or Internet vote.

Who will count the vote?

Representatives of EquiServe, Inc., our transfer agent, will tabulate the votes and act as inspectors of election.

Will my shares be voted if I do not return my proxy or attend the annual meeting?

Your shares may be voted if they are held in the name of a brokerage firm or nominee, even if you do not provide the brokerage firm or nominee with voting instructions. Brokerage firms and nominees have the authority under New York Stock Exchange, or NYSE, rules to vote shares for which their customers do not provide voting instructions on certain “routine” matters. The election of directors and the ratification of PricewaterhouseCoopers as our independent auditors for fiscal year 2005 are considered routine matters for which brokerage firms and nominees may vote shares for which they have not received voting instructions. This is called a “broker vote.”

If your broker or nominee does not have discretion to vote your shares held in the name of the brokerage firm or other nominee on a particular proposal because it is not considered to be a routine matter, and you do not give your broker or nominee instructions on how to vote your shares, the votes will be “broker non-votes.” We count broker non-votes for quorum purposes, but we do not count broker non-votes (or abstentions) as votes “for” or “against” any proposal.

If you do not vote shares registered in your name, your shares will not be voted.

What if I return my proxy card but do not provide voting instructions?

Proxy cards that are signed and returned but do not contain instructions on how you want your shares voted will be voted:

- “for” the election of each of the 13 nominees for director;
- “for” the ratification of PricewaterhouseCoopers as our independent auditors for the fiscal year ending December 31, 2005;
- in accordance with the recommendation of the Board on any stockholder proposal; and
- in accordance with the best judgment of the named proxies on any other matters properly brought before the meeting.

Can I access Freddie Mac’s proxy materials and annual report electronically or have them delivered to me electronically in the future?

Yes. Our Proxy Statement and Annual Report are available on our Website at www.freddiemac.com/investors. Instead of receiving future copies of these documents by mail, stockholders whose shares are held in “street name” can elect to receive an e-mail that will provide electronic links to them. Opting to receive your proxy materials online will save the cost of producing and mailing documents to your home or business, and will also give you an electronic link

About the Meeting

to the proxy voting site. Currently, we are not providing electronic delivery of proxy materials for stockholders whose shares are registered in their name.

What if I vote “abstain”?

Abstentions will be treated as shares present and entitled to vote for purposes of determining the presence of a quorum. Abstentions do not constitute a vote “for” or “against” any matters and thus will have no effect on the outcome of a vote on a proposal.

What happens if the meeting is postponed or adjourned?

Your proxy will still be valid and may be voted at the postponed or adjourned meeting. You will still be able to change or revoke your proxy until it is voted.

Does Freddie Mac provide for “householding” of proxy materials?

Yes. We have adopted a procedure for stockholders whose shares are held in “street name” called “householding,” pursuant to which stockholders of record who have the same address and the same last name and do not participate in electronic delivery of proxy materials will receive only one copy of our Proxy Statement and Annual Report unless one or more of these stockholders notifies us that they wish to continue receiving multiple copies. This procedure provides extra convenience for stockholders and a cost savings for us. Currently, we are not providing householding to stockholders whose shares are registered in their name.

If at any time you no longer wish to participate in householding and would prefer to receive a separate Proxy Statement and Annual Report, or if your shares are held in “street name” and you are receiving multiple copies of our Proxy Statement and Annual Report and wish to receive only one, please notify your bank, broker, trust or other holder of record. For more information, call or write to Freddie Mac at the contact information provided under “Availability of Annual Report” below.

Stockholders who participate in householding will continue to receive separate proxy cards. Householding will not in any way affect the mailing of dividend checks.

CORPORATE GOVERNANCE

We are committed to excellence in corporate governance and have taken measures to achieve this goal, as well as to meet the requirements of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, the corporate governance regulations of the Office of Federal Housing Enterprise Oversight, or OFHEO, and the NYSE listing standards.

Corporate Governance Guidelines

In June 2005, the Board adopted revised Corporate Governance Guidelines, or the Guidelines, that reflect our current practices and incorporate the requirements of OFHEO's April 2005 amendments to its corporate governance regulations. The primary substantive change since our last proxy statement dated September 24, 2004 is a revision in the limitations for membership by outside directors on the boards of directors of other publicly traded companies. Additional information is provided in the Guidelines, which are attached as Appendix A and are available on our Website at www.freddiemac.com. Printed copies of the Guidelines also are available to any stockholder upon request to the Corporate Secretary, at the address specified below under "Contacting the Board."

Director Independence

The outside members of the Board have determined that:

- With the exception of Richard F. Syron, Eugene M. McQuade and Joan E. Donoghue, no member of the Board standing for election has a material relationship with Freddie Mac and all such members of the Board are independent within the meaning of both Section 303A.02 of the NYSE listing standards and the independence criteria set forth in Item 5 of the Guidelines.
- All current members of the Audit Committee, the Compensation and Human Resources Committee, or the CHRC, and the Governance and Nominating Committee, or the GNC, are, and members of the Board to be appointed to those committees effective July 15, 2005 will be, independent within the meaning of Section 303A.02 of the NYSE listing standards and Items 4 and 5 of our Guidelines. All current members of the Audit Committee also are, and members of the Board to be appointed to the Audit Committee effective July 15, 2005 also will be, independent within the meaning of Rule 10A-3 promulgated under the Securities Exchange Act of 1934, or the Exchange Act, and Section 303A.06 of the NYSE listing standards.

Mr. Syron is Chief Executive Officer of Freddie Mac as well as Chairman of the Board; Mr. McQuade is President and Chief Operating Officer of Freddie Mac; and Ms. Donoghue is Senior Vice President, General Counsel and Corporate Secretary of Freddie Mac. Because Messrs. Syron and McQuade and Ms. Donoghue are each employees of Freddie Mac, none of them is independent under the Guidelines or the NYSE listing standards.

Director Qualifications

OFHEO's corporate governance regulations and the Guidelines impose a term limit of ten years and a retirement age of 72 for directors. The Board has determined that the interests of Freddie Mac and its stockholders strongly support a transition period of service for the three directors (John B. McCoy, Ronald F. Poe and William J. Turner) who have served on the Board for more than ten years. To ensure an orderly transition, the Board determined that one of these directors may be renominated for no more than one additional term beginning in July 2005 and

another of these directors may be renominated for no more than two such additional terms, without any further express determination by the Board. OFHEO has granted a corresponding waiver of the term limit provisions of its corporate governance regulations. The third such director, Mr. McCoy, is not standing for re-election at this meeting.

Audit Committee Financial Expert

We have a standing Audit Committee that satisfies the “audit committee” definition under Section 3(a)(58)(A) of the Exchange Act. The members of the Audit Committee are Richard Karl Goeltz, Thomas S. Johnson, Shaun F. O’Malley, Stephen A. Ross and William J. Turner.

Mr. Goeltz has been a member of the Audit Committee since March 31, 2004, and is currently its chairman. The Board has determined that Mr. Goeltz is independent within the meaning of Rule 10A-3 promulgated under the Exchange Act, and that he is an “audit committee financial expert” under SEC regulations. 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.

Codes of Conduct

We have separate codes of conduct applicable to employees and to Board members that outline the principles, policies and laws governing their activities. The employee and Board codes were last revised in June 2005, to be effective June 27, 2005. Upon joining Freddie Mac or its Board, all employees and directors, respectively, are required to sign acknowledgements that they have read the applicable code and agree to abide by it. In addition, all employees and directors must respond to an annual questionnaire concerning code compliance. All employees are required to certify annually that they agree to be bound by the employee code. The employee code also serves as the code of ethics for senior financial officers required by the Sarbanes-Oxley Act. Copies of our employee and director codes of conduct are available, and any amendments or waivers that would be required to be disclosed are posted, on our Website at www.freddiemac.com. Printed copies of the codes of conduct also are available to any stockholder upon request to the Corporate Secretary, at the address specified below under “Contacting the Board.”

Chairman of the Board

Mr. Syron has served as Chairman of the Board since December 31, 2003. Under our bylaws, the Chairman of the Board is elected annually by the Board at its meeting following the annual meeting.

Under the terms of Mr. Syron’s employment agreement, so long as Mr. Syron remains Chief Executive Officer, the Board will nominate him as a director and, provided he is elected as a director, will elect him to serve as Chairman of the Board. In addition to the customary duties of Chief Executive Officer and Chairman, Mr. Syron agreed to actively assist us in developing a succession plan for his replacement as Chief Executive Officer prior to December 31, 2008. Upon the appointment of a successor, Mr. Syron will cease to be Chief Executive Officer but will remain

Chairman of the Board through December 31, 2008. For more information about Mr. Syron's employment agreement, see "Executive Compensation — Employment Agreements and Severance Arrangements — *Richard F. Syron*" below.

Consistent with a consent order we entered into with OFHEO, we have committed to OFHEO to separate the positions of Chairman and Chief Executive Officer within a reasonable period of time.

Effective September 1, 2004, Mr. McQuade was appointed President and Chief Operating Officer of Freddie Mac. Pursuant to the terms of his employment agreement, if someone other than Mr. McQuade is appointed to succeed Mr. Syron as our Chief Executive Officer, or Mr. McQuade is not appointed Chief Executive Officer by September 1, 2007, then under certain conditions, Mr. McQuade may terminate his employment with us for good reason and he will receive certain payments and benefits as a result. For more information about Mr. McQuade's employment agreement and Chief Executive Officer succession terms, see "Executive Compensation — Employment Agreements and Severance Arrangements — *Eugene M. McQuade*" below.

Lead Director

The outside directors have established the position of Lead Director, whose responsibilities include assisting the Chairman of the Board in developing the agenda for Board meetings; reviewing the Board's governance procedures and policies, including working with the Chairman to develop and monitor committee charters and assignments; and chairing meetings of the Board held among the outside directors. The Lead Director is elected annually by a majority of the outside directors at the Board meeting following the annual stockholders' meeting. Mr. O'Malley is currently the Lead Director, and his term as Lead Director expires at the Board meeting following this annual meeting. We will announce the results of the election of the Lead Director following his or her election.

Contacting the Board

To contact our Board, please send your comments in writing to Corporate Secretary, Freddie Mac, 8200 Jones Branch Drive, McLean, Virginia 22102. All comments or complaints relating to our accounting, internal accounting controls or auditing matters will be forwarded to the Chair of the Audit Committee, for treatment in a manner consistent with the Audit Committee's complaint policy for such matters, and to the Lead Director. All other comments will be forwarded to the Lead Director. Comments indicating that they are to be submitted to the Lead Director or to the Audit Committee Chair anonymously or confidentially will be treated accordingly. You will receive a written acknowledgement from the Corporate Secretary upon receipt of your comment, unless it is anonymous. Please refer to our Website at www.freddiemac.com for more information on our Board and how to contact our Board members.

Stock Ownership by Directors and Officers

We encourage 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 in "Proposal 1: Election of Directors — Board Compensation" and "Report of the CHRC on Executive Compensation" below.

For information on our stock ownership requirements for outside directors, see "Proposal 1: Election of Directors — Board Compensation — *Stock Ownership Guidelines*" below.

We believe that stock ownership by our directors and officers aligns their interests with the interests of our stockholders.

Beneficial Ownership. We have only one class of voting stock, which is common stock. The following table shows the beneficial ownership of our common stock as of May 16, 2005 by our current directors, director nominees, all named executive officers (as that term is defined in “Executive Compensation — Compensation Tables — *Summary Compensation Table*” below), all of our directors and executive officers as a group, and holders of more than 5% of our common stock. Beneficial ownership is determined in accordance with SEC rules for computing the number of shares of common stock beneficially owned by a person and the percentage ownership of that person. As of May 16, 2005, each director, director nominee and named executive officer, and all of our directors and executive officers as a group, owned less than 1% of our outstanding common stock. The information presented below is based on information provided to us by the individuals or entities specified in the table.

As of May 16, 2005

Name	Position	Common Stock Beneficially Owned Excluding Stock Options*	Stock Options Exercisable Within 60 Days of May 16, 2005	Total Common Stock Beneficially Owned*
Barbara T. Alexander	Director	397 ⁽¹⁾	907	1,304
Martin F. Baumann	EVP-Finance and CFO	484	8,225	8,709
Geoffrey T. Boisi	Director	397 ⁽¹⁾	907	1,304
Ralph F. Boyd, Jr.	EVP-Community Relations	0	0	0
Patricia L. Cook	EVP-Investments & Capital Markets	0	0	0
Joan E. Donoghue	SVP — General Counsel and Corporate Secretary; Nominee	207	2,917	3,124
Nazir G. Dossani	SVP-Risk Management and Capital Strategy	2,797 ⁽²⁾	28,262	31,059
Michelle Engler	Director	6,257 ⁽³⁾	4,494	10,751
Richard Karl Goeltz	Director	3,910 ⁽⁴⁾	3,712	7,622
Thomas S. Johnson	Director	4,111 ⁽⁵⁾	2,036	6,147
William M. Lewis, Jr.	Director	746 ⁽¹⁾	907	1,653
John B. McCoy**	Director	74,573 ⁽⁶⁾	30,743	105,316
Eugene M. McQuade	President and Chief Operating Officer; Director	0	0	0
Shaun F. O'Malley	Lead Director	3,062 ⁽⁷⁾	4,754	7,816
Paul T. Peterson	Former EVP-Chief Operating Officer	11,566 ⁽⁸⁾	67,820	79,386
Ronald F. Poe	Director	63,856 ⁽⁹⁾	30,743	94,599
Stephen A. Ross	Director	14,257 ⁽¹⁰⁾	10,638	24,895
Richard F. Syron	Chairman of the Board and Chief Executive Officer	34,140	0	34,140
William J. Turner	Director	3,629 ⁽¹¹⁾	8,561	12,190
All directors and executive officers as a group (30 persons) ⁽¹³⁾		243,969 ⁽¹²⁾	303,634	547,603

5% Holder***	Common Stock Beneficially Owned	Percent of Class
Capital Research & Management Company 333 South Hope Street, 55 th Floor Los Angeles, CA 90071-1447	53,842,725 ⁽¹⁴⁾	7.8%

* Includes shares of stock and restricted stock beneficially owned. Also includes restricted stock units vesting within 60 days of May 16, 2005. In previous proxy statements, this table included all restricted stock units, regardless of vesting date. The change in presentation is in accordance with SEC rules, and has the effect of decreasing the number of shares reported for those individuals with restricted stock units that vest in more than 60 days. Restricted stock constitutes grants of Freddie Mac common stock that are subject to a risk of forfeiture until the stock has vested. Restricted stock additionally has voting rights. A restricted stock unit represents a conditional contractual right to receive one share of common stock of Freddie Mac at a specified future date. Restricted stock units are not considered legally issued or outstanding shares and, therefore, do not have voting rights. Restricted stock has dividend rights that entitle the grantee to dividends on each share in the amount of dividends per share payable on our outstanding shares of common stock. Restricted stock units have dividend equivalent rights that entitle the grantee to dividend equivalents on each share subject to the grant in the amount of dividends per share payable on our outstanding shares of common stock. For outside members of our Board, (i) these dividend equivalents are accrued as additional restricted stock units to be settled at the same time as the underlying restricted stock units, are not subject to a vesting schedule, and are settled irrespective of whether the underlying restricted stock units vest, and (ii) all dividend equivalents in the above table are scheduled to settle in common stock as of this annual meeting.

** Not standing for stockholder reelection.

*** We require that beneficial owners of more than 5% of our common stock report the amount of their ownership interest and certain other information to us. All persons who have filed such a report to date are identified in this table. To enforce compliance with the reporting requirement, we may deny beneficial owners who have failed to file the required report the right to vote any shares in excess of the 5% threshold. Any shares as to which voting rights are denied will not be counted as outstanding shares for determining whether a quorum exists or whether a majority of shares has been voted for or against any proposal.

- (1) Includes 393 restricted stock units and 4 dividend equivalents on restricted stock units.
- (2) Includes 1,970 shares of restricted stock and 827 restricted stock units.
- (3) Includes 2,210 restricted stock units and 110 dividend equivalents on restricted stock units.
- (4) Includes 1,608 restricted stock units and 36 dividend equivalents on restricted stock units.
- (5) Includes 882 restricted stock units and 14 dividend equivalents on restricted stock units.
- (6) Includes 25,960 shares held in a family trust. Also includes 3,964 restricted stock units and 292 dividend equivalents on restricted stock units.
- (7) Includes 2,345 restricted stock units and 113 dividend equivalents on restricted stock units.
- (8) Figures are based on our records as of May 16, 2005 but have not been verified by Mr. Peterson. Includes 4,040 shares of restricted stock.
- (9) Includes 2,344 restricted stock units and 128 dividend equivalents on restricted stock units. Also includes 9,071 shares held by Mr. Poe's spouse, as to which Mr. Poe disclaims beneficial ownership.
- (10) Includes 4,163 restricted stock units and 300 dividend equivalents on restricted stock units.
- (11) Includes 1,123 restricted stock units and 54 dividend equivalents on restricted stock units.
- (12) Includes 15,750 shares of restricted stock, 20,645 restricted stock units, and 1,059 dividend equivalents on restricted stock units.
- (13) In addition to the persons shown in the table, this group includes our Senior Vice President, Corporate Controller and Principal Accounting Officer; our Senior Vice President and General Auditor; our Senior Vice President — Government and Industry Relations; and all of our Executive Vice Presidents and

Corporate Governance

Senior Vice Presidents who reported directly to the Chairman and Chief Executive Officer or the President and Chief Operating Officer as of May 16, 2005.

- (14) Based on a review of beneficial ownership reports as of December 31, 2004 that are filed with us and that are the equivalent of Schedule 13G and 13D reports filed with the SEC, and in reliance on updates to those reports based on a review of Form 13F filings with the SEC, as of March 31, 2005, Capital Research & Management Company, 333 South Hope Street, 55th Floor, Los Angeles, CA 90071-1447, beneficially owned 53,842,725 shares with sole voting power as to zero shares and sole dispositive power as to 53,842,725 shares.

PROPOSAL 1: ELECTION OF DIRECTORS

Director Nomination Process

Under its charter, the GNC is responsible for recommending to the Board the slate of nominees to be proposed for election by the stockholders at our annual meeting and for reviewing proposals for nominations from stockholders that are submitted in accordance with the procedures summarized below. The GNC comprises the following five directors, each of whom is independent under the Guidelines and the NYSE listing standards: Messrs. Goeltz, McCoy, O'Malley (Chair), Poe and Ross.

The GNC has the authority to employ a variety of methods for identifying and evaluating potential Board nominees. Candidates for vacancies on the Board may come to the attention of the GNC through several different means, including recommendations from Board members, senior management or professional search firms, stockholder nominations and other sources.

The GNC considers all nominations submitted by stockholders that meet the eligibility requirements outlined in our bylaws. As required by our bylaws, stockholder nominations of candidates for election as directors must be submitted in writing to the Corporate Secretary, Freddie Mac, 8200 Jones Branch Drive, McLean, Virginia 22102 not less than 50 days or more than 75 days prior to the date of the annual meeting. Due to the timing of this annual meeting, and as announced in our press release dated April 5, 2005, the deadline for stockholder nominations of candidates for election as directors was May 26, 2005, which was prior to the mailing of this Proxy Statement. We did not receive any stockholder nominations of candidates for election as directors for this annual meeting. For information on what the written notice must include, see "Stockholder Proposals and Nominations for Next Annual Meeting of Stockholders" below.

As stated in the Guidelines, our Board seeks candidates for election to the Board who have achieved a high level of stature, success and respect in their principal occupations. Directors must exemplify high standards of integrity and be committed both to our public mission and to the interests of our stockholders. We seek to have a diversity of talent on the Board. Candidates are selected for their character, judgment, experience and expertise. In addition, directors must have the ability and time to commit to Board service. In selecting candidates for election to the Board, the Board also considers a director's independence under the independence standards that are a part of the Guidelines. See "Corporate Governance Guidelines" above and Appendix A attached to this Proxy Statement.

Stockholder nominees to the Board will be evaluated by the GNC based on the criteria specified above in the same way as a nominee recommended by the Board or management.

Nominees for Election

Our enabling legislation establishes the membership of our Board at 18 directors: 13 directors elected by the stockholders and 5 directors appointed by the President of the United States. All directors have the same duties and responsibilities and serve for a term ending on the date of the next annual meeting of stockholders. Thirteen directors are to be elected by stockholders at this meeting. Prior to our March 31, 2004 annual meeting, the Office of Counsel to the President informed us that the President did not intend to reappoint any of his then-current Presidential appointees. Consequently, each of their terms as Presidential appointees ended on the date of that annual meeting. No new appointees have been named by the President as of the date of this Proxy Statement.

The Board has nominated the persons named below for election at this annual meeting to serve until the next annual meeting. With the exception of Ms. Donoghue, each of the persons named below is nominated for reelection at this meeting. Mr. McCoy is not standing for reelection. Ms. Donoghue is being nominated to serve as a nominee and Director until a suitable alternative candidate has been identified by the GNC and recommended to the Board either for recommendation for election at the annual meeting or substitution by the Board at a later date pursuant to Freddie Mac's bylaws. Ms. Donoghue is Senior Vice President, General Counsel and Corporate Secretary of Freddie Mac.

The Board expects each of its current members and each nominee, and any future Presidential appointee, to attend any Freddie Mac annual stockholders' meeting at which such person is standing for election or reelection or will begin a term as a Presidential appointee to the Board. With the exception of Mr. Johnson, each of the twelve nominees for reelection to the Board attended the November 4, 2004 annual meeting. If any of the 13 nominees is unable or unwilling to serve on the date of the annual meeting or any adjournment of the meeting, the proxies received on behalf of that nominee will be voted for a substitute nominee. The Board has no reason to believe that any of the nominees will be unable or unwilling to serve if elected.

Unless stockholders specify otherwise in their proxies, proxies solicited by the Board will be voted "for" each of the 13 nominees for election named in this Proxy Statement. The 13 nominees who receive the greatest number of votes will be elected. No stockholder is entitled to cumulate his or her votes in the election of directors. Your proxy may not be voted for a greater number of persons than the 13 nominees named.

We recommend that you vote *for* each of the 13 nominees.

The nominees have provided the following information about their principal occupation, business experience and other matters.



BARBARA T. ALEXANDER

Director since 2004

Age 56

Ms. Alexander has been an independent consultant since January 2004. Prior to that, she was a Senior Advisor to UBS Warburg LLC and predecessor firms (UBS) from October 1999 to January 2004 and Managing Director of the North American Construction and Furnishings Group in the Corporate Finance Department of UBS from 1992 to October 1999. From 1987 to 1992, Ms. Alexander was a Managing Director in the Corporate Finance Department of Salomon Brothers Inc. From 1972 to 1987, she held various positions at Salomon Brothers, Smith Barney, Investors Diversified Services, and Wachovia Bank and Trust Company. Ms. Alexander is a member of the board of directors of Burlington Resources, Inc.; Centex Corporation, where she is chair of the Audit Committee; and Harrah's Entertainment, Inc., where she is chair of the Audit Committee. She also is an Executive Fellow at the Joint Center for Housing Studies at Harvard University.



GEOFFREY T. BOISI

Director since 2004

Age 58

Mr. Boisi is Chairman and Senior Partner of Roundtable Investment Partners LLC, an investment management firm. From 2000 to May 2002, Mr. Boisi was Vice Chairman of JP Morgan Chase, where he served as Co-Chief Executive Officer of JP Morgan, the firm's investment bank, and was a member of JP Morgan Chase's executive and management committees. From 1993 to 2000, he was the founding Chairman and Senior Partner of The Beacon Group, a merger and acquisition advisory and private investment firm. From 1971 to 1993, Mr. Boisi held various positions at Goldman Sachs & Company, including senior general partner, member of the firm's management committee and head of the investment banking business.



JOAN E. DONOGHUE

Nominee

Age 48

Ms. Donoghue is Senior Vice President — General Counsel and Corporate Secretary of Freddie Mac. She previously served as Senior Vice President — Principal Deputy General Counsel and as Acting General Counsel. Prior to joining Freddie Mac in August 2001, Ms. Donoghue served as Deputy Legal Adviser of the U.S. Department of State from 2000 to 2001 and as Deputy General Counsel of the U.S. Department of the Treasury from 1999 to 2000. Ms. Donoghue also served on our Board from March to November 2004.



MICHELLE ENGLER

Director since 2001

Age 47

Ms. Engler is an attorney and is Trustee of the JNL Series Trust and the JNL Investor Series Trust, each an investment company, and has been a member of the Board of Managers of each of the JNL Variable Funds since 2000. From 1992 to 2000, she was of counsel to the law firm of Varnum Riddering, Schmidt & Howlett, a Grand Rapids, Michigan-based law firm. Prior to that, she was a partner in the Houston law firm of Nathan, Wood & Sommers. Ms. Engler served on our Board as a Presidential appointee from 2001 through March 31, 2004, when she was elected to our Board by the stockholders.



RICHARD KARL GOELTZ

Director since 2003

Age 62

Mr. Goeltz was Vice Chairman, Chief Financial Officer and Member of the Office of the Chief Executive of American Express Company from 1996 to 2000. Prior to that, he was Group Chief Financial Officer and a member of the Board of NatWest Group from 1992 to 1996. Mr. Goeltz also held various finance positions at The Seagram Company Ltd., including Executive Vice President-Finance and Chief Financial Officer, and at Exxon Corporation. He is a director of Warnaco Group, Inc., where he is Chair of the Audit Committee and a member of the Nominating and Corporate Governance Committee; a director of the New Germany Fund; and a director of Aviva plc, where he is a member of the Audit Committee and a member of the Remuneration Committee. He also is a member of the Court of Governors and the Council of the London School of Economics and Political Science.



THOMAS S. JOHNSON

Director since 2004

Age 64

Mr. Johnson retired in September 2004 as Chairman and Chief Executive Officer of GreenPoint Financial Corporation, a national specialty mortgage lender and New York consumer banking company, following the acquisition of GreenPoint Financial by North Fork Bancorporation, Inc., with whom Mr. Johnson remained employed in a non-management capacity until December 31, 2004. Mr. Johnson had held the offices of Chairman and Chief Executive Officer of GreenPoint since 1993. He also was President of GreenPoint through 1997. Prior to that, he served as President and a director of Chemical Bank and Chemical Banking Corporation and then of Manufacturers Hanover Trust Company and Manufacturers Hanover Corporation. Mr. Johnson also is a director of Alleghany Corporation, where he is a member of the Audit Committee; RR Donnelley & Sons, Inc.; the Phoenix Companies, where he is Chairman of the Audit Committee; and North Fork Bancorporation.



WILLIAM M. LEWIS, JR.

Director since 2004

Age 49

Mr. Lewis is a Managing Director and Co-Chairman of Investment Banking at Lazard Ltd, a position he has held since April 2004. From 1978 to 1980 and from 1982 to April 2004, he held various positions at Morgan Stanley, most recently serving as Managing Director and Co-Head of the Global Banking Department from 1999 to 2004. Mr. Lewis also is a director of Darden Restaurants, Inc.



EUGENE M. McQUADE

Director since 2004

Age 56

Mr. McQuade was appointed President and Chief Operating Officer of Freddie Mac effective September 1, 2004. Prior to joining Freddie Mac, Mr. McQuade was President of Bank of America Corporation. He also served as President and Chief Operating Officer of FleetBoston Financial Corp., which merged with Bank of America on April 1, 2004. Mr. McQuade joined Fleet in 1992 and became Chief Financial Officer in 1993, Vice Chairman in 1997, and President and Chief Operating Officer in 2002. Prior to joining Fleet, Mr. McQuade was Executive Vice President and Controller of Manufacturers Hanover Corp. Mr. McQuade also is a director of XL Capital Ltd.



SHAUN F. O'MALLEY

Director since 2001
Lead Director since 2003

Age 69

Mr. O'Malley served as Non-executive Chairman of Freddie Mac from June to December 2003. Upon the appointment of Mr. Syron as Chairman and Chief Executive Officer of Freddie Mac in December 2003, Mr. O'Malley resigned his position as Non-executive Chairman and became the Lead Director. Mr. O'Malley retired from Price Waterhouse LLP in 1995, where he was Chairman and Senior Partner from 1988 to 1995. He also was president of the Financial Accounting Foundation from 1990 to 1992. Mr. O'Malley also serves on the Boards of Directors of Horace Mann Educators Corporation and The Finance Company of Pennsylvania, where he is chair of their respective Audit Committees.



RONALD F. POE

Director since 1990

Age 66

Mr. Poe has been President of Ronald F. Poe & Associates, a private real estate investment firm, since 1998. In September 1998, he retired as Chairman of the Board and Chief Executive Officer of Legg Mason Dorman & Wilson, Inc., a real estate investment banking firm, where he had worked for 34 years. Mr. Poe also is a director of CPC Resources, Inc., the for-profit wholly owned subsidiary of Community Preservation Corporation, a not-for-profit corporation.



STEPHEN A. ROSS

Director since 1998

Age 61

Mr. Ross has been the Franco Modigliani Professor of Finance and Economics at the Massachusetts Institute of Technology since 1998 and has been, and continues to be, a consultant to a number of investment banks and major corporations. He also has been Chairman and Chief Executive Officer of Compensation Valuation, Inc., a company specializing in the valuation of complex option contracts and option valuation services, since April 2003; a member of the Advisory Council of Taconic Capital Partners LLC, an event-driven hedge fund, since January 2004; a director of IV Capital Ltd., a London-based investment company, since May 1998; and Chairman of the Investment Advisory Board of IV Capital since July 2004. Mr. Ross also was Co-Chairman of Roll and Ross Asset Management Corporation, an investment management company, from 1986 to July 2004. He previously was the Sterling Professor of Economics and Finance at Yale University from 1976 to 1998, and a Professor of Economics and Finance at the Wharton School of the University of Pennsylvania. Mr. Ross also is a member of the Board of Trustees of the California Institute of Technology.



RICHARD F. SYRON

Director since 2003

Age 61

Mr. Syron was appointed Chairman of the Board and Chief Executive Officer of Freddie Mac in December 2003. Prior to joining Freddie Mac, Mr. Syron was the Executive Chairman of Thermo Electron Corporation from November 2002 to December 2003. Mr. Syron was named to the Board of Thermo Electron in 1997. He became Chairman in January 2000 and was Chief Executive Officer from June 1999 to November 2002. He also served as President of Thermo Electron from June 1999 to July 2000. Prior to joining Thermo Electron, he served as Chairman and Chief Executive Officer of the American Stock Exchange from 1994 to May 1999, President of the Federal Reserve Bank of Boston from 1989 to 1994, and President of the Federal Home Loan Bank of Boston from 1986 to 1989. He also is a director of the McKesson Corporation.



WILLIAM J. TURNER

Director since 1990

Age 61

Mr. Turner has been Manager of Signature Capital, Inc., a venture capital investment firm, since he founded the company in April 1996. From 1992 to 1996, Mr. Turner provided management consulting services for notable leverage buy-out firms. From 1989 to 1992, he was Chairman and Chief Executive Officer of several Forstmann Little companies, F.L. Industries, F.L. Aerospace, Lear Siegler and Pullman, engaged in manufacturing products for the aerospace, electrical lighting and component, retail service systems, environmental control and selected military service markets. Prior to that, Mr. Turner served in a number of capacities for Automatic Data Processing, Inc., including Chief Operating Officer, President and a member of the Board of Directors.

Meetings of the Board and Committees

The Board met ten times in 2004, and four times during the period January 1 through June 2, 2005. During 2004, each of the current directors attended at least 75% of the meetings of the Board and committees on which he or she served, and the outside directors met regularly in executive session without management.

In March 2004, the Board reorganized its standing committee structure. The five current standing Board committees are the Audit Committee, the CHRC, the Finance and Capital Deployment Committee, the GNC and the Mission and Sourcing Committee. The committee charters of each of the five current standing committees are available on our Website at www.freddiemac.com. Printed copies also are available to any stockholder on request to the Corporate Secretary, at the address specified above under "Contacting the Board." The Audit Committee charter also is attached to this Proxy Statement as Appendix B.

In addition to these standing committees, a Special Derivative Litigation Committee was created by the Board in December 2003 to investigate allegations and claims made in stockholder derivative litigation on behalf of stockholders against certain executive officers and directors. For more information about this litigation, see NOTE 13: LEGAL CONTINGENCIES to the consolidated financial statements in the accompanying Annual Report.

Prior to the reorganization of the Board's standing committees in March 2004, the standing committee structure consisted of the following seven standing committees: the Audit Committee; the Human Resources Committee (which was responsible for recommending to the Board the slate of director nominees); the Finance Committee; the Governance Committee; the Investment Committee; the Mortgage Operations Committee; and the Risk Committee.

In March 2003 the Board created an Ad Hoc Committee on Financial Management to oversee the revision and restatement of our financial results for 2002, 2001 and 2000, the preparation and completion of the 2003 audited financial statements and the preparation and completion of our financial statements and related reports for 2004. This committee was dissolved in April 2004 and its

functions, to the extent they had not been completed, were transferred to the Audit Committee and a subcommittee of the Audit Committee. This subcommittee ceased operations in September 2004 and its functions have been performed by the full Audit Committee since then.

The membership of current Board members on each committee in existence in 2004, along with the number of times each committee met in 2004 and through June 2, 2005 is shown in the tables below.

COMMITTEES OF THE BOARD OF DIRECTORS AND MEETINGS THEREOF DURING THE PERIOD JANUARY 1 THROUGH MARCH 30, 2004⁽¹⁾

<u>Director</u>	<u>Financial Mgmt</u>	<u>Audit</u>	<u>Human Resources</u>	<u>Finance</u>	<u>Governance</u>	<u>Investment</u>	<u>Mortgage Operations</u>	<u>Risk</u>	<u>Special Deriv Litigation</u>
B. Alexander ⁽²⁾									
G. Boisi ⁽²⁾									
M. Engler		✓						✓	✓
R. Goeltz ⁽³⁾									
T. Johnson ⁽⁴⁾									
W. Lewis ⁽²⁾									
J. McCoy	✓		Chair		✓		✓		✓
E. McQuade ⁽⁵⁾									
S. O'Malley	Chair	✓			✓			✓	
R. Poe		✓			✓		Chair		
S. Ross						✓		✓	Chair
R. Syron ⁽⁵⁾									
W. Turner	✓	✓					✓		
Meetings	4	3	3	1	7	0	0	1	3

(1) Certain Chairs and members of the standing committees in existence during the period reported are no longer members of the Board.

(2) Ms. Alexander and Messrs. Boisi and Lewis were elected to the Board on November 4, 2004.

(3) Mr. Goeltz was elected to the Board in December 2003 and was not appointed to any committee prior to the standing committee reorganization, which took effect on March 31, 2004.

(4) Mr. Johnson was elected to the Board on June 4, 2004.

(5) Messrs. Syron and McQuade are not members of any committee.

COMMITTEES OF THE BOARD OF DIRECTORS AND MEETINGS THEREOF DURING THE PERIOD MARCH 31, 2004 THROUGH JUNE 2, 2005

<u>Director</u>	<u>Audit</u>	<u>CHRC</u>	<u>Finance and Capital Deployment</u>	<u>GNC</u>	<u>Mission and Sourcing</u>	<u>Special Deriv Litigation</u>
B. Alexander ⁽¹⁾			✓		✓	
G. Boisi ⁽²⁾		✓			✓	
M. Engler		✓			✓	Chair
R. Goeltz	Chair		✓	✓		
T. Johnson ⁽³⁾	✓	✓				✓
W. Lewis ⁽⁴⁾			✓		✓	
J. McCoy		Chair		✓	✓	
E. McQuade ⁽⁵⁾						
S. O'Malley	✓	✓		Chair		
R. Poe		✓		✓	Chair	
S. Ross	✓		Chair	✓		✓
R. Syron ⁽⁵⁾						
W. Turner	✓		✓			
2004 Meetings ⁽⁶⁾	18 ⁽⁷⁾	12	4	14	5	6
2005 Meetings ⁽⁸⁾	7 ⁽⁹⁾	4	3 ⁽⁹⁾	4	2	1

- (1) Ms. Alexander was elected to the Board and appointed to the Finance and Capital Deployment Committee and the Mission and Sourcing Committee on November 4, 2004.
- (2) Mr. Boisi was elected to the Board and appointed to the CHRC and the Mission and Sourcing Committee on November 4, 2004.
- (3) Mr. Johnson was appointed to the Mission and Sourcing Committee and the Special Derivative Litigation Committee on November 4, 2004 and served on the Mission and Sourcing Committee through February 4, 2005. On February 4, 2005, Mr. Johnson was appointed to the Audit Committee and the CHRC.
- (4) Mr. Lewis was elected to the Board and appointed to the Finance and Capital Deployment Committee and the Mission and Sourcing Committee on November 4, 2004.
- (5) Messrs. Syron and McQuade are not members of any committee.
- (6) For the period March 31 through December 31, 2004.
- (7) Includes 12 joint meetings of the Audit Committee and its subcommittee. Does not include one meeting of only the subcommittee.
- (8) For the period January 1 through June 2, 2005.
- (9) Includes one joint meeting of the Audit Committee and the Finance and Capital Deployment Committee.

The following is a description of the Board committees and their responsibilities as of the date of this Proxy Statement:

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 committee's specific responsibilities with respect to its oversight of financial matters are: to appoint,

Proposal 1: Election of Directors

evaluate, monitor the independence of, determine the compensation of, and, as the committee may deem it appropriate, terminate and replace our independent auditors; to review the independent auditors' report on the independent auditors' internal quality control procedures; to pre-approve any audit services, and any non-audit services permitted under applicable law, to be performed by our independent auditors; to review management's policies, guidelines and processes with respect to the assessment and management of Freddie Mac's market, credit and operational risk exposures; to oversee the integrity of our financial reporting processes and disclosure, including systems of control regarding finance, accounting, compliance with legal and regulatory requirements and programs for the detection and prevention of fraud; to hire, determine the compensation of, evaluate the performance of and determine whether to retain our Senior Vice President — General Auditor; to assess the effectiveness of the internal auditors; and to conduct an annual evaluation of the committee's performance.

The Audit Committee's purposes, duties and responsibilities under its charter include those specified in the NYSE listing standards for audit committees.

The CHRC's primary functions are: to approve executive compensation, including the corporate goals and objectives to be used in evaluating the performance of the Chief Executive Officer and determining the Chief Executive Officer's compensation; to approve salary ranges and cash bonus plans for non-executive officers; to recommend new stock plans and benefit plans and approve any amendments to existing plans; to review the management of our human resources; to review diversity initiatives; to recommend director compensation; to review plans for management succession; to review, establish, amend or terminate any pension plan, thrift plan and other company-wide retirement plans; and to conduct an annual evaluation of the committee's performance.

The CHRC's purposes, duties and responsibilities under its charter include those specified in the NYSE listing standards for compensation committees.

The Finance and Capital Deployment Committee's primary functions are: to review our capital requirements, management and allocation; to recommend dividends for approval by the Board; to monitor our debt and mortgage-related securities activities; to monitor our investment, funding, liquidity and hedging strategies and activities; to monitor our asset/liability management techniques; and to conduct an annual evaluation of the committee's performance.

The GNC's members are the chairs of each of the other standing committees and, if the Lead Director is not one of the committee chairs, the Lead Director, and any other directors designated by the Board. Its primary functions are: to review and recommend changes in our bylaws and Guidelines, including independence standards and qualifications for Board membership; to conduct an annual evaluation of the committee's performance and to oversee the annual evaluation of the performance of the Board and each of its other committees; to identify individuals qualified to be members of the Board and to recommend Board nominees; to review and make recommendations concerning the independence of Board members and to review the application to Board members of membership qualifications under the Guidelines; to make recommendations concerning membership on Board committees and on committee structure and responsibilities; to review management's proposed response to stockholder proposals submitted for inclusion in our Proxy Statement and make recommendations to the Board regarding responses to any such proposals; to oversee management of legislative and related matters; to review the activities of our political action committee; and to oversee our compliance with the consent order we have entered into with OFHEO.

The GNC's purposes, duties and responsibilities under its charter include those specified in the NYSE listing standards for governance and nominating committees.

The Mission and Sourcing Committee's primary functions are: to monitor our mission-related activities; to monitor our mortgage purchase activities; to monitor significant mortgage purchase transactions; to monitor our mortgage-related securities activities; and to conduct an annual evaluation of the committee's performance.

The Special Derivative Litigation Committee's primary function is to conduct an investigation and evaluation of the allegations and claims set forth in the stockholder derivative litigation and related demand letters and determine what actions, if any, we should take in connection with such allegations and claims.

Board Compensation

The key components of compensation for our outside directors are cash fees and stock awards that tie a majority of director compensation to the long-term value of Freddie Mac. Each director may defer receipt of cash fees and stock awards, as well as elect to convert cash fees into common stock under the Directors' Deferred Compensation Plan and the Directors' Stock Compensation Plan. We do not have any pension or retirement plans for our outside directors. Employee directors do not receive any additional compensation for their Board service.

Effective January 1, 2005, the Board approved changes to the cash and stock compensation paid to our outside directors for their service as directors. The following table shows the cash and equity compensation levels currently in effect and the levels that were in effect in 2004.

Outside Director Compensation

	2004	2005
Board Service		
<u>Cash Compensation</u>		
Annual Retainer	\$ 50,000	\$ 60,000
Annual Supplemental Retainer for Lead Director.....	100,000	100,000
Per Meeting Fee	1,000	1,500
<u>Equity Compensation⁽¹⁾</u>		
Stock Options	\$300,000	\$150,000
Restricted Stock Units	130,000	65,000
<hr/>		
Committee Service (Cash)		
Annual Retainer for Committee Chair (other than Audit)	\$ 5,000	\$ 10,000
Annual Retainer for Audit Committee Chair	10,000	20,000
Per Meeting Fee (other than Audit)	1,000	1,500
Per Meeting Fee for Audit Committee Members	2,000	2,500
Per Interview Fee for Director Recruiting	1,000	1,500

(1) In December 2004, the Board revised the policy on equity awards under the Directors' Stock Compensation Plan effective January 1, 2005. Prior to the revision, newly elected and newly appointed outside directors during their first term received initial grants of options to purchase Freddie Mac common stock with a fair market value of approximately \$300,000 and restricted stock units with a fair market value of approximately \$130,000, but during their second term were not eligible to receive any grants. Under the revised policy, newly elected and newly appointed outside directors during their first term will receive initial grants of options to purchase Freddie Mac common stock with a fair market value of approximately \$150,000 and restricted stock units with a fair market value of approximately \$65,000 and will be eligible to receive equity grants in their second and each subsequent term. Because we held no stockholder meetings in 2003 and two stockholder meetings in 2004, there were two equity grants made to directors in 2004: one equity grant was made on the date of the March 31, 2004 stockholders' meeting; and a second equity grant was made on the date of the November 4, 2004 stockholders' meeting.

Cash Compensation. Cash retainers are granted on a calendar year basis and paid quarterly. The retainer paid to directors who are elected or appointed after the last annual stockholders' meeting is prorated based on the quarter in which they join the Board. Directors also are reimbursed for out-of-pocket costs of attending each meeting of the Board or any Board committee.

Under the Directors' Deferred Compensation Plan (which is an unfunded, non-qualified plan), directors may elect to defer cash compensation for any number of years specified by the director. Cash deferred is credited to a director's account as of the date the amounts would have otherwise been paid to the director. Generally, for 2004 and prior years, elections under the Directors' Deferred Compensation Plan, as well as elections under the Directors' Stock Compensation Plan to receive stock in lieu of cash, were required to be made by December 31 of the year preceding the year for which election was made. The American Jobs Creation Act of 2004, or the Jobs Act, imposed significant new rules regarding deferred compensation, generally effective for deferred amounts that vest on or after January 1, 2005. These new rules will necessitate amendments in 2005 to our Directors' Deferred Compensation Plan and other deferred compensation arrangements.

Deferred compensation to be settled in cash is credited with interest compounded quarterly at the rate of: (i) 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; or (ii) such other rate as is determined by the CHRC. In 2004, interest was credited at the rate of 5.00% based on the prime rate on January 2, 2004 of 4.00% plus 1%. In 2005, interest is being credited at a rate of 6.25% based on the prime rate on January 3, 2005 of 5.25% plus 1%.

Proposal 1: Election of Directors

Deferred compensation to be settled in deferred stock is credited with dividend equivalents to be reinvested in additional deferred stock, as dividends are declared and paid on our common stock. Subject to earlier payment under hardship withdrawals and terminations of Board membership (including disability or death), deferred compensation distributions are payable at the end of the deferral period in lump sums. Distributions may not be deferred beyond the earlier of a director's termination of membership on the Board, disability or death.

Equity Compensation. Under our Guidelines, outside director compensation should be weighted toward stock-based compensation to enhance alignment with stockholder interests, with restricted stock or other stock-based compensation constituting at least 50% of director compensation. Typically, equity compensation constitutes approximately two-thirds of the economic value of director compensation.

For our outside directors, the exercise price of an option is equal to the fair market value of a share of our common stock on the date of the grant. The number of restricted stock units and of shares subject to a stock option is calculated by dividing the dollar amount of the award by the fair market value of our common stock on the date of grant. Under the revised policy adopted by the Board in December 2004, vesting with respect to both stock options and restricted stock units occurs in even increments over four terms on the Board, with 25% vesting at the end of every term of office, unless vesting is accelerated under certain circumstances, including death, disability or retirement from the Board. Previously, vesting with respect to stock options and restricted stock units occurred at the rate of 20% over five terms.

For our outside directors, stock options and restricted stock units have dividend equivalent rights that entitle the grantee to dividend equivalents on each share subject to the grant in the amount of dividends per share payable on our outstanding shares of common stock. Dividend equivalents on stock options are accrued and are payable in cash upon exercise or expiration of the option. Dividend equivalents on restricted stock units are accrued as additional restricted stock units and are generally settled at the same time as the underlying restricted stock units. However, unlike the underlying restricted stock units, the dividend equivalents on restricted stock units are not subject to a vesting schedule and are settled irrespective of whether the underlying restricted stock units vest.

Stock Ownership Guidelines. Under the Guidelines, outside directors generally are expected to hold an investment of at least \$100,000 in our common stock within three years after joining the Board, unless the CHRC determines that it is unduly burdensome for a director to make such an investment. This requirement may be satisfied by holding common stock received through equity compensation upon exercise of stock options or lapsing of restrictions on restricted stock or restricted stock units.

Compensation Committee Interlocks and Insider Participation

None of the members of the Board who served on the CHRC during fiscal 2004 were officers or employees of Freddie Mac or had any relationship with us that would be required to be disclosed under rules promulgated by the SEC.

Transactions with Institutions Related to Directors

In the ordinary course of business, we were a party during 2004, and expect to continue to be a party during 2005, to certain business transactions with institutions affiliated with members of our Board. Management believes that the terms and conditions of the transactions were no more and no less favorable to us than the terms of similar transactions with unaffiliated institutions to which we

are, or expect to be, a party. Those transactions that are required to be disclosed under rules promulgated by the SEC are described below.

Bank of America Corporation, of which Mr. McQuade was President from April through June, 2004, is the parent of Bank of America, N.A., which has been a major seller of mortgage loans to Freddie Mac. From January 1, 2004 through December 31, 2004, we purchased approximately \$4.1 billion of mortgage loans from Bank of America. Bank of America is also one of the counterparties with which we execute derivative transactions in the ordinary course of business. In addition, Banc of America Securities LLC, also a subsidiary of Bank of America, has acted as an underwriter of our debt and mortgage securities, for which it has received customary underwriting compensation.

During the period January 1, 2004 through December 31, 2004, Lazard Ltd, formerly Lazard Frères & Co. LLC, of which Mr. Lewis is a Managing Director and Co-Chairman of Investment Banking, acted as sole underwriter of three Freddie Mac debt offerings, for which it received customary underwriting compensation.

Legal Proceedings

For information about legal proceedings related to the restatement where one or more current or former executive officers or directors are or have been named parties, see NOTE 13: LEGAL CONTINGENCIES to the consolidated financial statements in the accompanying Annual Report.

Indemnification and Other Reimbursements of Directors, Officers and Employees

Our bylaws provide for indemnification and advancement of reasonable fees and expenses (including legal fees) to any director, officer or employee who is a party or threatened to be made a party to any action, suit or proceeding, whether civil, criminal, administrative or investigative and whether formal or informal, by reason of the fact that he or she is or was a director, officer or employee of Freddie Mac, although indemnification is not permitted in the case of willful misconduct, knowing violation of criminal law or improper personal benefit. Consistent with our bylaws, the Board has authorized, and has delegated authority to the GNC over, the advancement of reasonable fees and expenses (including legal fees) incurred by our current and former directors, officers and employees in connection with certain legal proceedings described in NOTE 13: LEGAL CONTINGENCIES to the consolidated financial statements in the accompanying Annual Report.

In addition, the Board has authorized, and has delegated authority to the GNC over, the reimbursement of reasonable fees and expenses (including legal fees) incurred by our current or former directors, officers and employees who are interviewed or who provide testimony in certain limited internal or external investigations and proceedings in which they are not parties or are not threatened to be made parties (to whom we refer as information witnesses) and who, therefore, are not eligible for advancement or indemnification under our bylaws.

The GNC has hired special outside counsel to make advancement determinations under our bylaws for reimbursements to information witnesses. Each current or former director, officer and employee receiving advancement under our bylaws or reimbursement as an information witness has executed a written undertaking to repay amounts ultimately determined to be ineligible for indemnification or reimbursement.

In connection with these legal proceedings and investigations, we have paid an aggregate of approximately \$16.8 million of advancements and reimbursements through May 31, 2005 for all current and former directors, officers and employees. We anticipate continuing to make additional advancements under our bylaws and to provide reimbursements to information witnesses in 2005.

AUDIT COMMITTEE REPORT

The Audit Committee operates under a written charter most recently revised and approved by the Board in June 2005. 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 included in this Proxy Statement as Appendix B and is available on our Website at www.freddiemac.com.

The Audit Committee comprises the following five directors: Messrs. Goeltz, Johnson, O'Malley, Ross and Turner. The Board has determined that each of these directors meets the independence requirements of the NYSE listing standards and our Guidelines.

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 controls 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 reporting, based on the results of their audit, whether the audited financial statements are fairly stated 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 (see Appendix B), 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 the 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 reports on our consolidated financial statements that it receives from our independent auditors.

During the year ended December 31, 2004, the Audit Committee met 21 times. This includes 12 joint meetings of the Audit Committee and its subcommittee, which assumed the functions of the Ad Hoc Committee on Financial Management in April 2004. The subcommittee met once by

itself between April and September 2004, after which the subcommittee ceased operations, and its functions have been performed by the full Audit Committee since then. During the period January 1 through June 2, 2005, the Audit Committee met seven times.

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, the overall scope and process for their audit. The Audit Committee regularly meets with PricewaterhouseCoopers, with and without management present, to discuss the results of their examinations, their observations about our internal controls and the overall quality of our financial reporting.

The Audit Committee has discussed with PricewaterhouseCoopers the matters required to be discussed by Statement on Auditing Standards No. 61, as amended, *Communication with Audit Committees or Others with Equivalent Authority and Responsibility*. The Audit Committee also has received the written disclosures and the letter from PricewaterhouseCoopers that are required by Independence Standards Board Standard No. 1, *Independence Discussions with Audit Committees*, and has discussed with PricewaterhouseCoopers their independence from Freddie Mac and our management. As part of this review, the Audit Committee has considered whether the provision of non-audit services by PricewaterhouseCoopers to Freddie Mac in 2004 was compatible with maintaining PricewaterhouseCoopers' independence, and determined that it was.

The Audit Committee has reviewed and discussed with management our audited consolidated financial statements as of and for the fiscal year ended December 31, 2004.

The Audit Committee has also met with members of senior management and compliance, internal tax, finance, legal, information systems and services 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, the management of our risk exposures, OFHEO's annual report regarding our safety and soundness, the status of litigation and investigations in which we are involved, the status of our information security program, our compliance with legal and regulatory requirements, and directors' and employees' compliance with our Codes of Conduct.

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, 2004.

In addition, the Audit Committee has approved the appointment of PricewaterhouseCoopers as our independent auditors for the fiscal year ending December 31, 2005, 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, 2005.

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

Richard Karl Goeltz, *Chairman*
Thomas S. Johnson
Shaun F. O'Malley
Stephen A. Ross
William J. Turner

Audit Committee Report

REPORT OF THE CHRC ON EXECUTIVE COMPENSATION

This report addresses the compensation policies of Freddie Mac applicable to our executive officers during fiscal year 2004. The primary responsibility of the CHRC is to oversee our executive compensation program. The CHRC is composed exclusively of non-employee, independent directors. The six members of the CHRC are Ms. Engler and Messrs. McCoy (Chair), Boisi, Johnson, O'Malley and Poe.

The CHRC, with input from other outside directors, annually reviews and approves the compensation of the Chief Executive Officer and the President and Chief Operating Officer. The CHRC also annually reviews and approves the compensation of all other executive officers, including the executive officers listed on the Summary Compensation Table appearing under "Executive Compensation — Compensation Tables" below. The CHRC has retained and is assisted by a major 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.

Compensation Philosophy

The CHRC's philosophy on executive compensation is to provide an executive compensation package that attracts and retains high caliber executives and reflects our pay-for-performance philosophy. In the recruiting process for such executives, including the Chief Executive Officer and the President and Chief Operating Officer, the CHRC was challenged to offer compensation packages that would induce the executives to leave their current positions and compete with the executives' other opportunities. As a result of the recruiting process and in order to achieve our goal of obtaining exceptional leaders and executives, Freddie Mac has provided certain executives with agreements that establish certain minimum guaranteed compensation for specified periods of time. For more information on the terms of these agreements, see "Executive Compensation — Employment Agreements and Severance Arrangements" below. In addition, our pay-for-performance philosophy, which applies to all Freddie Mac employees, ensures that executive pay provides additional incentives for performance and results that are aligned with the interests of our stockholders, and is implemented by offering our executives competitive base salaries, annual and long-term performance incentive opportunities, and an ownership stake in Freddie Mac. These incentives are based on corporate objectives of importance to Freddie Mac, including those objectives described under "Components of Executive Compensation — *Short-Term Incentive Compensation — Corporate Performance Objectives*" below.

Methodology

In evaluating and setting compensation packages for 2004, the CHRC set compensation to be competitive with companies that were either in a similar line of business or were otherwise relevant for purposes of recruiting individuals with the requisite skills and capabilities. We use executive compensation data from a group of companies we refer to as the Comparator Group as a guideline for determining competitive market compensation. The 2004 Comparator Group consisted of 21 leading financial services companies, including a government-sponsored enterprise, major national and regional financial institutions, and insurance companies, all but one of which are included in the S&P 500 Financial Sector Index used for stock performance comparative purposes in the Stock Performance Graph under "Executive Compensation — Stock Performance Graph" below. Various market surveys of direct compensation at companies in similar and other lines of business may be used as supplemental resources in determining competitive market compensation.

In those cases in which these surveys do not identify positions comparable to certain of our positions, we set compensation targets based on a combination of our best estimates and the relation of the position to other positions within Freddie Mac for which comparable positions in other companies are identified.

Total compensation for each executive officer is generally benchmarked at the 50th percentile of the Comparator Group. For any individual executive, the CHRC also considers individual performance when setting target compensation, including those factors discussed under “Components of Executive Compensation” below.

From time to time, we may establish special retention programs to retain and reward critical personnel in specific circumstances. In November 2003, the CHRC established a critical personnel retention program primarily to recognize the magnitude of sacrifice and commitment to the restatement and remediation effort, and to retain critical talent. Pursuant to the program, Freddie Mac entered into retention agreements with certain officers that provide two-year guaranteed cash compensation (salary and bonus) for performance years 2004 and 2005, as well as a one-time grant of restricted stock units, the restrictions of which lapse on December 31, 2005.

Components of Executive Compensation

Base Salary

The base salaries of our executive officers, including the Chief Executive Officer, are broadly based on salaries for comparable positions in the market. Base salaries reflect, where applicable, the terms of an executive’s employment or letter agreement. Base salaries also reflect the executive’s individual performance in the job, future potential, scope of responsibilities and individual experience. Salaries are reviewed annually for adjustment based on individual performance and relationship to market trends.

Short-Term Incentive Compensation

Our short-term incentive program seeks to motivate executives, including the Chief Executive Officer, to work effectively to achieve our annual corporate performance objectives and to reward them when those objectives are met or exceeded. For 2004, annual incentive payments were funded based on an assessment of Freddie Mac’s performance against the corporate performance objectives for the year. The 2004 annual incentive awards were based on, where applicable, an executive’s employment or letter agreement. The 2004 annual incentive awards also were based on an assessment of the executive’s business results and leadership effectiveness.

Corporate Performance Objectives. The Board and the CHRC reviewed the corporate plan and scorecards containing the performance objectives for 2004 that were used to assess corporate performance for the year. The level of bonus pool funding is determined based on corporate performance against the plan for the year.

Our performance areas and related objectives in 2004 were:

- **Mission**, which focused on defining our mission-centric business model and indicators of performance for 2004, the achievement of our affordable housing goals, and the achievement of certain single-family and multifamily milestones;

- **Financial**, which focused on the achievement of certain remediation milestones, the issuance of 2003 financial results by June 30, 2004, the achievement of certain financial targets and the establishment of certain performance measurement capabilities;
- **Accounting, Controls, Reporting and Disclosure**, which focused on the achievement of certain goals relating to control issues resolution and accounting process improvements; and
- **Operations**, which focused on constraining the growth of general and administrative expenses and the achievement of certain business objectives.

Performance Against Objectives. The Chief Executive Officer determined in March 2005 that, given our performance relative to each of the targets, coupled with achievements and progress not captured on the scorecard, our corporate performance for the first half of 2004 was “on plan” and for the second half of 2004 was “strong on plan.” The Chief Executive Officer discussed his assessment and the bonus pool funding with the CHRC, and the CHRC approved the 2004 corporate bonus funding level. For 2004, the determination of the amounts and the payment of bonuses to all employees was delayed until after the release of our 2004 financial results on March 31, 2005, and was made by the CHRC for executive officers in April and May 2005.

Annual Long-Term Stock-Based Incentive Awards

We believe that our long-term incentive program is the component of executive compensation that is most aligned with the long-term interests of our stockholders. A significant portion of our executive officer compensation is long-term compensation. Management recommends target levels for annual long-term incentive grants that are expressed as a percentage of base salary. The CHRC approves annual long-term incentive awards after reviewing management’s recommendations. Management’s recommendations are based in part on a review of individual performance during the prior year, market comparison data, and, where applicable, an executive’s employment or letter agreement. The long-term incentive award is delivered 50% each in stock options and restricted stock units.

Restricted Stock Units. A restricted stock unit represents a conditional contractual right to receive one share of Freddie Mac common stock at a specified future date. The underlying stock is not issued until the time restrictions lapse, at which time it is settled or, at the election of the grantee, deferred. In the event a cash dividend is declared and paid on our common stock, holders of restricted stock units will receive dividend equivalents, paid out in cash promptly after the payment date for such dividend, equal to the number of restricted stock units held by the executive multiplied by the dividend paid on each outstanding share of our common stock. Restricted stock units do not have voting rights since they are not considered legally issued or outstanding shares.

The restricted stock units granted to executive officers in August 2004 as part of the 2004 annual award will vest at a rate of 25% in August 2005 and 25% in each of April 2006, 2007 and 2008, respectively, in order to mirror the vesting schedule of awards made to non-executive officers in April 2004. Settlement generally occurs on the date of vesting unless an executive officer has elected under our 2002 Executive Deferred Compensation Plan to defer the settlement to a later date. See “Executive Compensation — Executive Deferred Compensation Plan” below for more information regarding the deferral of restricted stock units.

Stock Options. The stock options granted to executive officers in August 2004 as part of the 2004 annual award have an exercise price equal to the fair market value of Freddie Mac common stock on the date of grant and will vest at a rate of 25% in August 2005 and 25% in each of April 2006, 2007 and 2008, respectively, in order to mirror the vesting schedule of awards made to non-executive officers in April 2004.

In the event that a cash dividend is declared and paid on our common stock, the option grantee will receive a dividend equivalent on each share of common stock underlying the option in the amount of the dividend per share declared and paid on our issued and outstanding shares of common stock. The dividend equivalents are accrued and are payable in cash upon exercise or expiration of the option.

Compensation of the Chief Executive Officer for Fiscal 2004

The CHRC determined the Chief Executive Officer's compensation after obtaining and considering the views of the other independent members of the Board on his performance and compensation.

The Chief Executive Officer's 2004 compensation reflects the CHRC's determination with respect to Mr. Syron's individual leadership and performance displayed throughout the year, as well as Freddie Mac's performance relative to the targets on its 2004 corporate scorecard, a summary of which is set forth under "Components of Executive Compensation — *Short-Term Incentive Compensation — Corporate Performance Objectives*" above. Mr. Syron's compensation also is based on his employment agreement and relative pay versus that of chief executive officers in the Comparator Group.

Impact of IRS Limits on Deductibility of Compensation

Freddie Mac is not subject to the provisions of Section 162(m) of the Internal Revenue Code relating to the deductibility of executive compensation expenses. Consequently, the CHRC did not consider the qualification of certain items of executive compensation for deductibility under that Code section in establishing its compensation policy.

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

John B. McCoy, *Chairman*
Geoffrey T. Boisi
Michelle Engler
Thomas S. Johnson
Shaun F. O'Malley
Ronald F. Poe

EXECUTIVE COMPENSATION

Compensation Tables

Summary Compensation Table

The following table sets forth the compensation provided for fiscal years 2004, 2003 and 2002 to our Chief Executive Officer and our four other most highly compensated executive officers who were serving as executive officers as of fiscal year end 2004, as well as two additional individuals for whom disclosure is provided in accordance with SEC regulations, who are collectively referred to as our named executive officers.

Name and Principal Position	Fiscal Year	Annual Compensation			Long-Term Compensation		All Other Compensation ⁽⁵⁾⁽⁷⁾
		Salary ⁽¹⁾	Bonus ⁽²⁾	Other Annual Compensation ⁽³⁾	Restricted Stock Unit Awards ⁽⁴⁾	Securities Underlying Options (#)	
Richard F. Syron ⁽⁶⁾	2004	\$1,100,000	\$2,500,000	\$429,989	\$4,826,707	166,580	\$ 22,026
Chairman of the Board and	2003	4,231	0	99,000	8,809,819	0	0
Chief Executive Officer	2002	N/A	N/A	N/A	N/A	N/A	N/A
Eugene M. McQuade ⁽⁶⁾	2004	\$ 300,000	\$2,565,000	\$154,842	\$6,253,875	0	\$ 348
President and	2003	N/A	N/A	N/A	N/A	N/A	N/A
Chief Operating Officer	2002	N/A	N/A	N/A	N/A	N/A	N/A
Patricia L. Cook ⁽⁶⁾	2004	\$ 250,000	\$3,000,000	\$103,971	\$1,873,771	18,580	\$ 634
Executive Vice President —	2003	N/A	N/A	N/A	N/A	N/A	N/A
Investments and Capital Markets	2002	N/A	N/A	N/A	N/A	N/A	N/A
Martin F. Baumann ⁽⁶⁾	2004	\$ 518,750	\$1,300,000	—	\$ 860,294	29,680	\$ 37,089
Executive Vice President—Finance	2003	373,106	647,727	\$147,987	921,233	32,900	2,244
and Chief Financial Officer	2002	N/A	N/A	N/A	N/A	N/A	N/A
Ralph F. Boyd, Jr. ⁽⁶⁾	2004	\$ 375,000	\$ 500,000	\$ 0	\$ 548,852	18,930	\$ 1,269
Executive Vice President —	2003	N/A	N/A	N/A	N/A	N/A	N/A
Community Relations	2002	N/A	N/A	N/A	N/A	N/A	N/A
Paul Peterson ⁽⁷⁾	2004	\$1,708,000	\$ 450,000	—	\$ 0	0	\$855,960
Former Executive Vice President	2003	1,646,800	427,500	—	483,715	17,280	239,308
and Chief Operating Officer	2002	445,833	780,208	—	340,217	20,940	125,585
Nazir G. Dossani	2004	\$ 483,333	\$ 401,250	—	\$1,100,908	26,030	\$ 85,841
Senior Vice President—	2003	372,813	251,253	—	419,912	7,350	84,467
Risk Management and Capital Strategy	2002	330,625	235,721	—	343,804	8,900	80,307

- (1) Messrs. Syron, McQuade, Baumann and Boyd and Ms. Cook each have employment or letter agreements with Freddie Mac that establish minimum guaranteed compensation for specified periods of time, and Mr. Peterson has a letter agreement with Freddie Mac that defines his termination of employment agreement with us, the details of which are described under “Employment Agreements and Severance Arrangements” below. Mr. Syron’s 2003 salary of \$4,231 was attributable to his one day of employment in 2003 based on an annual salary of \$1,100,000.
- (2) The 2004 bonus amount reported for each of Mr. McQuade and Ms. Cook also includes a \$2,000,000 one-time cash sign-on bonus, which is subject to repayment by each executive under certain circumstances. For Mr. Baumann, the 2004 bonus amount reported includes a retention bonus payment of \$300,000, and the 2003 bonus amount reported includes a \$200,000 one-time cash sign-on bonus, both of which are subject to repayment under certain circumstances. The 2004 bonus amount reported for Mr. Boyd also includes a \$125,000 one-time cash sign-on bonus, which was subject to repayment under certain circumstances. Mr. Peterson’s 2004 bonus amount was based on his termination of employment agreement described under “Employment Agreements and Severance Arrangements — *Paul Peterson*” below. Pursuant to the terms of the Funding and Investments Incentive Compensation Plan, Mr. Dossani received his 2004, 2003 and 2002 bonuses in a combination of cash and restricted stock units. The bonus amounts reported reflect the cash portion Mr. Dossani received for each such year. For 2004, Mr. Dossani received \$381,250 in cash and \$343,750 in restricted stock units. The 2004 bonus amount reported for

Executive Compensation

Mr. Dossani also includes a recognition award of \$20,000. For 2003, Mr. Dossani received \$251,253 in cash and \$213,752 in restricted stock units. For 2002, Mr. Dossani received \$235,721 in cash and \$198,221 in restricted stock units. The Restricted Stock Unit Awards column includes both the portion of the annual short-term incentive bonus that Mr. Dossani received in restricted stock units for his performance during the calendar years 2004, 2003 and 2002, and the annual long-term restricted stock unit grants he received in each of those years.

- (3) Other Annual Compensation consists of perquisites received by certain of the named executive officers. Perquisites are valued at their aggregate incremental cost to Freddie Mac. Amounts shown represent relocation pay and related gross-ups, home security systems, reimbursement of certain legal fees, life insurance premiums, personal use of a car and driver for commuting and related gross-ups, payment of spousal travel costs and related gross-ups, and financial planning services. During 2004, 2003 and 2002, the cost of the perquisites furnished to each of Messrs. Peterson and Dossani did not exceed the lesser of \$50,000 or 10% of the sum of the salary and bonus of that executive officer as reported in the table. During 2004, the cost of perquisites furnished to Mr. Baumann did not exceed the lesser of \$50,000 or 10% of the sum of his salary and bonus as reported in the table. For Mr. Baumann, the 2003 perquisite cost reported is relocation pay and related gross-up. For Mr. Syron, the perquisite cost reported for 2004 that exceeds 25% of the total perquisite costs reported is relocation pay and related gross-up in the total amount of \$314,209. For Mr. Syron, the perquisite costs reported for 2003 are legal fees paid in connection with the negotiation of his employment agreement with us in 2003. For Mr. McQuade, the perquisite cost reported that exceeds 25% of the total perquisite costs reported is relocation pay and related gross-up in the total amount of \$146,134. For Ms. Cook, the perquisite cost reported is relocation pay and related gross-up.
- (4) The dollar values reported in the Summary Compensation Table are based on the closing price of our common stock on the date of grant multiplied by the number of restricted stock units awarded. Mr. Syron's 2003 equity award of restricted stock units was a sign-on award designed to partially compensate him for earnings foregone in order to join Freddie Mac. Mr. McQuade's 2004 equity award of restricted stock units was a sign-on award. Ms. Cook's 2004 equity award of restricted stock units consisted of a sign-on award and her 2004 long-term incentive grant. With the exception of Mr. Syron for 2003 and Mr. McQuade and Ms. Cook for 2004, restricted stock units were awarded on March 1, 2002, November 26, 2003 and August 9, 2004. Additionally, Mr. Dossani received restricted stock unit awards on April 11, 2005, July 7, 2004 and November 26, 2003 under the Funding and Investments Incentive Compensation Plan for his performance during calendar years 2004, 2003 and 2002, respectively. The restricted stock units awarded to the named executive officers prior to 2004 will generally vest on the fifth anniversary of the date of grant, except that: (i) for awards made to the named executive officers in 2003, vesting will occur in March 2008 rather than November 2008 in order to mirror the vesting schedule of the awards made to non-executive officers in March 2003; (ii) the restricted stock units granted to Mr. Syron on December 31, 2003 will vest in three equal annual installments beginning on the first anniversary of the date of grant in accordance with the terms of his employment agreement described below in "Employment Agreements and Severance Arrangements — *Richard F. Syron*"; and (iii) the restricted stock units granted to Mr. Dossani in 2003, 2004 and 2005 under the Funding and Investments Incentive Compensation Plan will vest 25% on each of the first and second anniversaries of the grant date and 50% on the third anniversary of the grant date. The restricted stock units awarded to the named executive officers in August 2004 as part of the 2004 annual award will vest at a rate of 25% in August 2005 and 25% in each of April 2006, 2007 and 2008, respectively, in order to mirror the vesting schedule of awards made to non-executive officers in April 2004. The restricted stock units granted to Mr. McQuade on September 1, 2004 will vest in three equal installments beginning on the first anniversary of the date of grant in accordance with the terms of his employment agreement described below under "Employment Agreements and Severance Arrangements — *Eugene M. McQuade*." The sign-on restricted stock units granted to Ms. Cook on August 2, 2004 will vest in three equal installments beginning on the first anniversary of the date of grant and her initial long-term incentive award will vest in

four equal installments beginning on the first anniversary of grant date in accordance with the terms of her letter agreement described below under “Employment Agreements and Severance Arrangements — Patricia L. Cook.”

The number and value of restricted stock shares and restricted stock units held by each named executive officer at December 31, 2004 is as follows:

	Number of Restricted Shares and/or Restricted Stock Units	Dollar Value
Mr. Syron	176,336	\$12,995,963
Mr. McQuade	92,650	6,828,305
Ms. Cook	28,730	2,117,401
Mr. Baumann	30,430	2,242,691
Mr. Boyd	8,600	633,820
Mr. Peterson	47,240	3,481,588
Mr. Dossani	31,545	2,324,867

For information on dividend and dividend equivalent rights associated with restricted stock and restricted stock units, see “Stock Ownership by Directors and Officers — *Beneficial Ownership*” and “Report of the CHRC on Executive Compensation — Components of Executive Compensation — *Annual Long-Term Stock-Based Incentive Awards — Restricted Stock Units*” above.

- (5) The 2004 figures include: (i) basic and matching contributions we made to our tax-qualified Thrift/401(k) Savings Plan in fiscal 2004; and (ii) allocations pursuant to the Make Up Contribution (as defined under “Pension Plan, Excess Benefit Plan and Supplemental Executive Retirement Plan” below) of our non-qualified supplemental executive retirement plan, or SERP, as follows:

	Thrift/401(k) Savings Plan Contributions	SERP Allocations
Mr. Syron	\$ 0	\$ 0
Mr. McQuade	0	0
Ms. Cook	0	0
Mr. Baumann	0	23,885
Mr. Boyd	0	0
Mr. Peterson	18,260	216,610
Mr. Dossani	16,373	48,954

For additional information regarding the SERP, see “Pension Plan, Excess Benefit Plan and Supplemental Executive Retirement Plan” below.

Employees who have purchased additional vacation may not carry over any vacation as a general rule. Those employees who purchase vacation and do not take all of their vacation are paid out for up to five days of accrued vacation that remains unused by year-end. This payout occurs by December 31 of each year. Typically, any unused vacation days in excess of five paid out are forfeited (excluding employees in Illinois and California). An exception was made to the five-day payout rule for all employees in 2004 and 2003 in recognition of the difficulty faced by many employees in taking vacations during the periods of heavy work associated with the restatement and related remediation efforts. Accordingly, employees were paid out for unused vacation in excess of five days. The 2003 figures for Mr. Peterson include payout of unused vacation purchased in the amount of \$71,379. The 2004 figures for Mr. Dossani include payout of unused vacation purchased in the amount of \$3,179.

The 2004 figures for Messrs. Syron and McQuade, Ms. Cook, and Messrs. Baumann, Boyd, Peterson and Dossani include FlexDollars of \$21,413, \$348, \$634, \$13,204, \$1,269, \$21,090 and \$17,335, respectively. The 2003 figures for Messrs. Baumann, Peterson and Dossani include FlexDollars of \$2,244, \$20,014 and

\$17,335, respectively. The 2002 figures for Messrs. Peterson and Dossani include FlexDollars of \$20,432 and \$18,542, respectively. FlexDollars are provided to all employees as part of our benefits program and are used to offset costs relative to medical insurance, dental insurance, vision insurance, group term life insurance, accidental death and personal loss insurance, and vacation purchase. Any unused FlexDollars are payable as taxable income.

- (6) Mr. Syron became Chairman and Chief Executive Officer on December 31, 2003. Mr. McQuade became President and Chief Operating Officer on September 1, 2004. Ms. Cook became Executive Vice President — Investments on August 2, 2004 and Executive Vice President — Investments and Capital Markets on February 1, 2005. Mr. Baumann became Executive Vice President — Finance on April 2, 2003 and was appointed Chief Financial Officer on June 6, 2003. Mr. Boyd joined Freddie Mac as Executive Vice President, General Counsel and Corporate Secretary on April 1, 2004 and served in that capacity through February 7, 2005, at which time he was appointed Executive Vice President — Community Relations.
- (7) Mr. Peterson served as Executive Vice President and Chief Operating Officer from June 6, 2003 through August 31, 2004. Prior to that, Mr. Peterson was Executive Vice President — Single Family Business and his base salary for 2003 was \$450,000. In connection with his appointment and duties as Chief Operating Officer, from June 6, 2003 to August 31, 2004, Mr. Peterson was provided with a supplemental monthly cash payment of \$176,000 in addition to his annual base salary of \$450,000. On August 13, 2004, we entered into a termination of employment agreement with Mr. Peterson. Pursuant to the termination of employment agreement, Mr. Peterson served as a Senior Advisor to the Chairman and Chief Executive Officer between September 1, 2004 and March 31, 2005 at an annualized compensation of \$450,000, the amount of which paid in 2004 is included in the 2004 All Other Compensation column for Mr. Peterson. Mr. Peterson also received a short-term incentive payment attributable to his 2004 performance in the amount of \$450,000. In addition, we provided Mr. Peterson with severance in the amount of \$450,000, which was accrued in 2004 and paid in 2005. This severance amount is included in the 2004 All Other Compensation column for Mr. Peterson. For a description of the terms of Mr. Peterson’s termination of employment agreement, see “Employment Agreements and Severance Arrangements — *Paul Peterson*” below.

Elective Compensation Deferrals

Our 2002 Executive Deferred Compensation Plan permits executives to defer to a future year salary, bonus and restricted stock units that otherwise would be taxable to them in the current year. During the fiscal years covered by the Summary Compensation Table, the following named executives elected to defer, on a discretionary basis, the following amounts of salary, bonus and restricted stock unit awards under our 2002 Executive Deferred Compensation Plan. The deferred amounts reported below are included in the compensation reported for these executives in the Summary Compensation Table above.

	2004			2003			2002		
	Salary	Bonus ⁽¹⁾	Restricted Stock Units ⁽²⁾	Salary	Bonus ⁽¹⁾	Restricted Stock Units ⁽²⁾	Salary	Bonus ⁽¹⁾	Restricted Stock Units ⁽²⁾
Patricia L. Cook	—	—	\$1,873,771	N/A	N/A	N/A	N/A	N/A	N/A
Paul Peterson	—	—	—	\$112,500	—	\$483,715	\$240,000	\$390,104	\$340,217
Nazir G. Dossani	—	—	—	199,931	—	—	324,473	230,785	144,883

(1) Amount is included under the performance year to which the bonus payment relates.

(2) The dollar value reported is based on the closing price of our common stock on the date of grant multiplied by the number of restricted stock units deferred by the executive for the applicable fiscal year.

The table below sets forth the total accumulations, including interest, as of December 31, 2004 for the named executive officers who elected to defer salary, bonus and restricted stock unit awards.

	Accumulated Salary	Accumulated Bonus	Restricted Stock Units ⁽¹⁾	Total
Patricia L. Cook	—	—	\$2,117,401	\$2,117,401
Paul Peterson	\$2,245,868	\$2,864,785	1,043,592	6,154,245
Nazir G. Dossani	2,701,528	1,704,515	165,088	4,571,131

(1) The dollar value reported is based on the closing price of our common stock on December 31, 2004 multiplied by the accumulated restricted stock units deferred by the executive.

Option Grants in Last Fiscal Year

The following table contains information concerning grants of stock options made to each of the named executive officers during fiscal year 2004.

Name	Number of Securities Underlying Options Granted ⁽¹⁾	Percentage of Total Options Granted to Employees in Fiscal Year	Exercise or Base Price (\$/Sh)	Expiration Date	Grant Date Present Value ⁽²⁾
Richard F. Syron	166,580	12.95%	\$64.36	August 8, 2014	\$4,400,111
Eugene M. McQuade	0	0	N/A	N/A	N/A
Patricia L. Cook	18,580	1.44	64.63	August 1, 2014	500,123
Martin F. Baumann	29,680	2.31	64.36	August 8, 2014	783,979
Ralph F. Boyd, Jr.	18,930	1.47	64.36	August 8, 2014	500,025
Paul Peterson	0	0	N/A	N/A	N/A
Nazir G. Dossani	26,030	2.02	64.36	August 8, 2014	687,567

(1) The options granted will vest over four years, with vesting at the rate of 25% in August 2005 and 25% in each of April 2006, April 2007 and April 2008, except for Ms. Cook, for whom the options granted will vest at the rate of 25% in August 2005, 2006, 2007 and 2008. The options have dividend equivalent rights that entitle the grantee to dividend equivalents on each share underlying the option equal to the dividend per share declared and paid on our issued and outstanding shares of common stock. The dividend equivalents are accrued and are payable upon exercise or expiration of the options.

(2) The estimated value of the stock options has been developed solely for purposes of comparative disclosure in accordance with the rules and regulations of the SEC and is consistent with the assumptions we used for purposes of the disclosures of our grants made in 2004 in the consolidated financial statements contained in our Annual Report. The estimated value has been determined by application of the Black-Scholes option-pricing model based upon the terms of the option grant and Freddie Mac's stock price performance history as of the date of grant.

Key assumptions for Ms. Cook's August 2, 2004 grant of stock options are as follows: a stock price volatility rate of 30.67%, which refers to the daily fluctuations of expected future stock returns over the expected option life; a 4.10% risk-free rate of return, which is equal to the rate of interest payable on seven-year Treasury securities on the date of grant, because we anticipate the expected option life to be seven years; a dividend yield of 0%, since options granted under the employee and directors' stock compensation plans include dividend equivalent rights; and a time of exercise assumption using an anticipated expected option life of seven years.

Key assumptions for the August 9, 2004 grant of stock options to Messrs. Syron, Baumann, Boyd and Dossani are as follows: a stock price volatility rate of 30.60%, which refers to the daily fluctuations of expected future stock returns over the expected option life; a 3.88% risk-free rate of return, which is equal to the rate of interest payable on seven-year Treasury securities on the date of grant, because we anticipate the expected option life to be seven years; a dividend yield of 0%, since options granted under the employee and directors' stock compensation plans include dividend equivalent rights; and a time of exercise assumption using an anticipated expected option life of seven years.

Executive Compensation

Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values

The following table sets forth information concerning each exercise of a stock option during fiscal year 2004 by each of the named executive officers and the number and value of unexercised stock options held by each of the named executive officers on December 31, 2004.

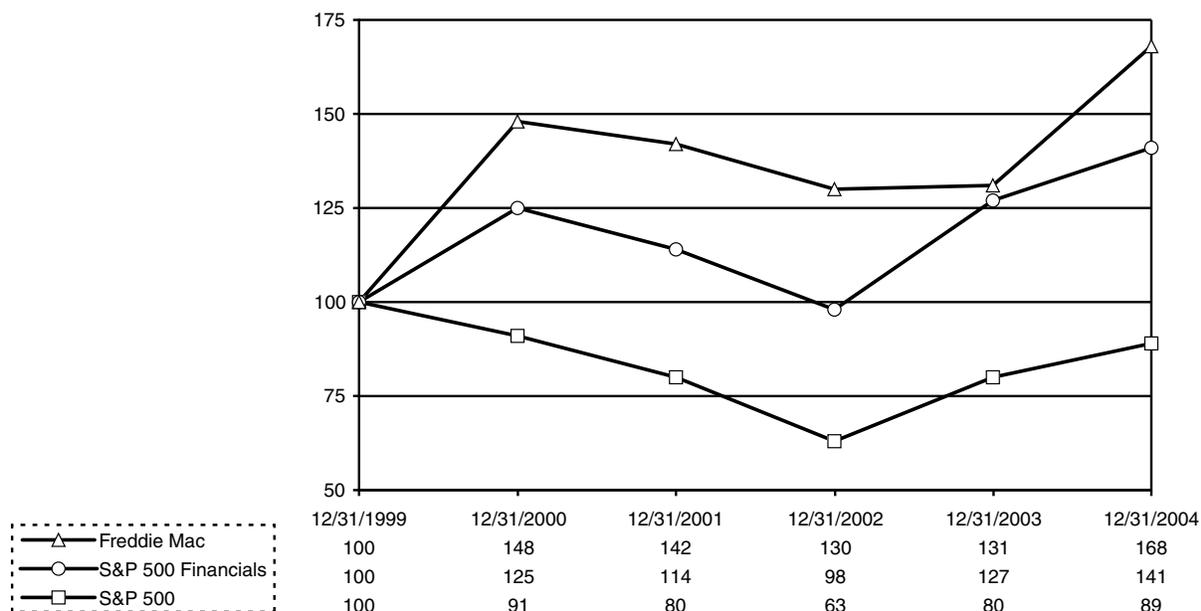
Name	Shares Acquired on Exercise (number of shares)	Value Realized	Number of Securities Underlying Unexercised Options at December 31, 2004 <i>Exercisable / Unexercisable</i>	Value of Unexercised In-the-Money Options at December 31, 2004⁽¹⁾ <i>Exercisable / Unexercisable</i>
Richard F. Syron	0	\$0	0/166,580	\$0/\$1,560,022
Eugene M. McQuade	0	0	0/0	0/0
Patricia L. Cook	0	0	0/18,580	0/169,078
Martin F. Baumann	0	0	0/62,580	0/917,200
Ralph F. Boyd, Jr.	0	0	0/18,930	0/177,279
Paul Peterson	0	0	49,400/45,870	1,117,368/687,034
Nazir G. Dossani	0	0	25,792/47,068	617,046/572,546

- (1) The value of the shares underlying the options is calculated on a grant by grant basis equal to the product of the number of unexercised options at the end of 2004 multiplied by the difference between the exercise price for the grant and the year-end fair market value of our common stock of \$73.725 (equal to the average of the high and low trading price of our common stock on December 31, 2004), excluding grants for which the difference is less than zero.

Stock Performance Graph

The following graph compares the five-year cumulative total stockholder return on our common stock with that of the S&P 500 Index and the S&P 500 Financial Sector Index. On January 1, 2002, the composition of the S&P 500 Financial Sector Index was modified. Historical data has been recalculated to reflect this change. The table assumes \$100 invested in each of Freddie Mac common stock, the S&P Financial Sector Index and S&P 500 Index on December 31, 1999. Total return calculations assume annual dividend reinvestment. The table does not forecast performance of our common stock.

COMPARATIVE CUMULATIVE TOTAL STOCKHOLDER RETURN



Executive Deferred Compensation Plan

The 2002 Executive Deferred Compensation Plan is an unfunded, non-qualified plan that allows certain key employees to elect to defer their annual salary and cash bonus, and certain key management employees to defer their annual salary, cash bonus and the settlement of restricted stock units received from Freddie Mac under other Freddie Mac stock plans, for any number of years specified by the employee or until retirement, subject to certain restrictions, except that the period elected cannot exceed the employee's life expectancy. In accordance with the Jobs Act, elections under the 2002 Executive Deferred Compensation Plan with respect to salary and cash bonus generally must be made by December 31 of the year preceding the salary deferral year and the bonus performance year for which election is made. For 2004 and prior years, elections with respect to restricted stock units were required to be made within 30 days of the grant date and at a time that the restricted stock units remained unvested. Deferred salary, cash bonus and stock units are credited to employees' accounts as of the date the amounts or units would have otherwise been paid to or settled by delivery of shares to the employee. Accounts also are credited with interest attributable to deferred salary and bonus, compounded daily at the rate of: (i) 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; or (ii) such other rate as is determined by the CHRC. In 2004, interest was credited at a rate of 5.00% based on the prime rate on January 2, 2004 of 4.00% plus 1%. In 2005, interest is being credited at the rate of 6.25% based on the prime rate on January 3, 2005 of 5.25% plus 1%. In the event a cash dividend is declared and paid on our common stock, an amount of cash will be paid to the employee promptly after the payment date for the cash dividend equal to the number of stock units deferred by the employee multiplied by the cash dividend per share paid on our common stock. Subject to provisions for hardship withdrawals and

certain terminations of employment, deferred distributions are payable at the end of the deferral period in lump sums or in reasonably equal installments over five, ten or 15 years.

The Jobs Act imposed significant new rules regarding deferred compensation, generally effective for deferred amounts that vest on or after January 1, 2005. These new rules will necessitate amendments in 2005 to our Executive Deferred Compensation Plan and other deferred compensation arrangements.

Pension Plan, Excess Benefit Plan and Supplemental Executive Retirement Plan

The following table shows estimated annual benefits payable from our tax-qualified pension plan, non-qualified excess benefit plan and the restoration portion of the non-qualified Supplemental Executive Retirement Plan, or SERP (which we collectively refer to as the Pension Plans for purposes of the table and footnotes immediately below) upon retirement (estimated at age 65) and calculated in accordance with the Pension Plans formulas currently in effect for specified years-of-service and compensation classes. The excess benefit plan and the SERP are designed to provide designated participants with the full amount of benefits to which they would have been entitled under the tax-qualified pension plan (which is known as the Restoration Benefit in the SERP) and Thrift/401(k) Savings Plan (which is known as the Make Up Contribution in the SERP) in the absence of limits on benefit levels imposed by the Internal Revenue Code and the exclusion of deferred amounts under the Executive Deferred Compensation Plan from the tax-qualified plans. Under the SERP, if the participant's employment terminates (for a reason other than death, disability or retirement), then the Make Up Contribution in the SERP is paid over three annual installments, the first installment within 90 days after the end of the calendar year in which such termination of employment occurs, and the second and third installments following the end of the next two succeeding years. The Restoration Benefit in the SERP generally is payable as a single life annuity beginning at age 65 or in installments over 15 years following retirement, whichever results in a longer projected stream of payments. The CHRC may, upon request and in its sole discretion, direct that a payment be made in the form of a lump sum or a series of annual installments. For years prior to 1989, the tax-qualified pension plan benefit is reduced by Social Security payments. The values represented below are exclusive of the benefits received under the tax-qualified Thrift/401(k) Savings Plan and the Make Up Contribution under the SERP benefit.

As noted above, the Jobs Act imposed significant new rules regarding deferred compensation, generally effective for deferred amounts that vest on or after January 1, 2005. These new rules will necessitate amendments in 2005 to our excess benefit plan, SERP, and other deferred compensation arrangements.

ESTIMATED ANNUAL BENEFITS UNDER PENSION PLANS⁽¹⁾⁽²⁾⁽³⁾

Highest Average Annual Compensation	Years of Credited Service				
	10	15	20	25	30
\$ 350,000	\$ 35,000	\$ 52,500	\$ 70,000	\$ 87,500	\$105,000
400,000	40,000	60,000	80,000	100,000	120,000
450,000	45,000	67,500	90,000	112,500	135,000
500,000	50,000	75,000	100,000	125,000	150,000
600,000	60,000	90,000	120,000	150,000	180,000
750,000	75,000	112,500	150,000	187,500	225,000
1,000,000	100,000	150,000	200,000	250,000	300,000
1,250,000	125,000	187,500	250,000	312,500	375,000
1,500,000	150,000	225,000	300,000	375,000	450,000
1,750,000	175,000	262,500	350,000	437,500	525,000
2,000,000	200,000	300,000	400,000	500,000	600,000
2,500,000	250,000	375,000	500,000	625,000	750,000

- (1) Benefits payable as a straight life annuity are shown above based on the benefit formula under the Pension Plans for service after 1988. Our tax-qualified pension plan has been amended over the course of the years and there are additional benefits provided based on service before 1989, including: (i) accrued benefits under the prior pension plan as of December 31, 1988; and (ii) supplemental benefits under the current plan based on certain service before 1989, for which none of the named executive officers qualifies. Benefits from the Pension Plans are subject to state and federal taxation. The tax-qualified pension plan benefits are not subject to Social Security and Medicare tax withholdings, but are subject to withholding for income taxes and deductions for retiree medical benefits if the employee is eligible and has elected the benefit.
- (2) The compensation covered by the Pension Plans is the participant's highest consecutive 36-month average compensation. For our executives, covered pay is composed of base pay and corporate-wide annual bonus payment paid during the applicable 36-month period. Covered pay for the named executive officers as of December 31, 2004 was: Mr. Syron, \$0; Mr. McQuade, \$0; Ms. Cook, \$0; Mr. Baumann, \$936,905; Mr. Boyd, \$0; Mr. Peterson, \$1,962,689; and Mr. Dossani, \$679,789. Because Mr. McQuade, Ms. Cook and Mr. Boyd were hired on September 1, August 2 and April 1, 2004, respectively, none of them had a 36-month covered pay amount nor had he or she completed one year of eligibility service as of December 31, 2004. Mr. Syron completed one year of eligibility service on December 31, 2004, but did not have any covered pay as of that date because he did not become a plan participant until January 1, 2005.
- (3) As of December 31, 2004, Messrs. Syron and Baumann each had one year of credited service under the tax-qualified pension plan; Mr. McQuade, Mr. Boyd and Ms. Cook had no years of credited service; Mr. Peterson had approximately 16 years of credited service; and Mr. Dossani had approximately 12 years of credited service.

Employment Agreements and Severance Arrangements

The employment agreements described below for Messrs. Syron, McQuade, Baumann and Boyd and Ms. Cook are available on Freddie Mac's Website at www.freddiemac.com/governance.

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 an employment

Executive Compensation

agreement, which continues in effect until the earlier of December 31, 2008 or the occurrence of an event of termination. OFHEO has reviewed the terms of this agreement and has approved the termination benefits set forth in the agreement.

Mr. Syron received on December 31, 2003 an initial equity award of restricted stock units related to common stock with an aggregate fair market value on that date of \$8,800,000. The restricted stock units will vest in three equal annual installments, beginning on the first anniversary of the date of grant.

During the term of the agreement, Mr. Syron receives an annual minimum base salary of \$1,100,000, which amount may be increased in the discretion of the CHRC. In addition, he has the opportunity to earn an annual cash bonus targeted at 120% of his base salary, subject to a maximum of 200% of this target. Mr. Syron was guaranteed a minimum annual cash bonus for performance year 2004 of \$1,320,000; his actual cash bonus for 2004 was \$2,500,000.

During each year of the term of the employment agreement starting in calendar year 2004, Mr. Syron also will receive an annual equity award with an aggregate value on the date of grant of \$8,800,000, of which at least 50% will be in the form of restricted stock units and the rest will be in the form of stock options. The CHRC may in its discretion award a higher percentage of restricted stock units. Under the agreement, the restricted stock units will vest on the fifth anniversary of the date of grant, and the options will generally vest in four equal annual installments beginning on the first anniversary of the date of grant; provided that the CHRC in its discretion may accelerate the vesting of the restricted stock units or options or provide for an accelerated vesting schedule. Pursuant to the CHRC's discretion, Mr. Syron's 2004 annual equity award, which was granted on August 9, 2004, will vest at a rate of 25% one year from the date of grant and 25% on April 1 of each of 2006, 2007 and 2008, so as to make the vesting of Mr. Syron's award consistent with the vesting schedule of the 2004 annual equity awards to other non-executive officers.

Upon a change in control (as that term is defined in the employment agreement), any equity award granted to Mr. Syron at least 12 months prior to the change in control will immediately vest. Vested restricted stock units will be paid out immediately and vested 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.

During the term of the employment agreement, we will maintain, at our cost, term life insurance on the life of Mr. Syron for the benefit of his beneficiaries with a face amount 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.

Pursuant to the agreement, we have reimbursed all relocation expenses reasonably incurred by Mr. Syron. Mr. Syron will be 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.

In the event of termination of his employment prior to December 31, 2008 due to disability or death, we will pay Mr. Syron his base salary through the end of the month in 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 restricted stock units awarded to Mr. Syron will immediately vest and be paid out and all options granted will become immediately exercisable. These 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. In the event of termination due to disability, we will provide long-term disability benefits equal to 70% of Mr. Syron's base salary during the period beginning on the first day of the month that immediately follows the month in which the termination occurred through the earlier of December 31, 2008 or the date he no longer has a disability.

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, 2008 for good reason or is terminated by us without cause (as those terms are defined in the employment agreement), 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. 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 restricted stock units awarded to Mr. Syron at least 12 months prior to the termination date will immediately vest and be paid out, and all options granted to Mr. Syron at least 12 months prior to the termination date will become immediately exercisable. All such 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. Had the termination occurred prior to the date on which we granted Mr. Syron his annual equity award for calendar year 2004, then in lieu of the grant, we would have paid Mr. Syron a lump sum cash payment in the amount of \$8,800,000.

In addition, if he is not entitled to the Restoration Benefit under the SERP 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 Make Up Contribution in accordance with the terms of the SERP. We will provide Mr. Syron and his family continued health and other similar welfare benefits coverage through December 31, 2008.

In the event that Mr. Syron's employment is terminated by us for cause prior to December 31, 2008, 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.

In the event that Mr. Syron terminates his employment following December 31, 2008 due to retirement and not for cause, all restricted stock units awarded to Mr. Syron will vest immediately but will be paid out at such time as the units would have vested and been paid out to him had his employment with us not been terminated. All options granted to Mr. Syron will become immediately exercisable and will remain outstanding until the expiration date of the options.

Mr. Syron is subject to non-competition and non-solicitation of employees restrictions following any termination of his employment for periods of two years and one year, respectively, following the termination.

Eugene M. McQuade

We entered into an employment agreement with Mr. McQuade, which provides for his employment as President and Chief Operating Officer effective September 1, 2004 for an initial term of three years, subject to automatic extension for successive one-year periods unless either party gives notice that such extension shall not occur. Under this agreement, Mr. McQuade also was nominated for election as a member of the Board at the last annual meeting of stockholders. OFHEO has reviewed the terms of this agreement and has approved the termination benefits it provides.

Mr. McQuade's agreement is similar to Mr. Syron's, with the following items of note:

- An annual base salary of \$900,000, which amount may be increased in the discretion of the CHRC;
- A sign-on bonus of \$2,000,000 (however, if Mr. McQuade resigns for other than good reason or is terminated for cause (as those terms are defined in the employment agreement) during the initial three-year term of his agreement, he is required to repay us a pro-rata amount of the sign-on bonus);
- The opportunity to earn an annual cash bonus targeted at 100% of his base salary, subject to a maximum of 200% of his base salary, with a guaranteed minimum annual bonus in 2004 of \$400,000. Mr. McQuade's actual cash bonus for the 2004 performance year was \$565,000;
- An initial equity award of 92,650 restricted stock units, vesting in three equal annual installments beginning on the first anniversary of the date of grant, unless the CHRC determines otherwise as described below;
- During each year of the term of the employment agreement beginning in calendar year 2005, an annual equity award with an aggregate value on the date of grant of \$6,000,000, of which at least 50% will be in the form of restricted stock units and the rest will be in the form of stock options. The CHRC may in its discretion award a higher percentage of restricted stock units. The restricted stock units will vest on the fourth anniversary of the date of grant, and the options will vest in four equal annual installments beginning on the first anniversary of the date of grant, unless the CHRC determines otherwise as described below;
- Reimbursement of reasonable relocation expenses and participation in (i) all other incentive and other compensation programs generally available to senior executives, (ii) executive and employee benefit plans or programs at a level commensurate with his position and duties with us, and (iii) all special benefit or perquisite programs generally available from time to time to our Chief Executive Officer, all on the terms and conditions then prevailing under each such program; and
- At our cost, term life insurance on the life of Mr. McQuade for the benefit of his beneficiaries with a face amount of \$7,000,000, which will be converted to a fully paid-

up permanent life insurance policy with a face amount of \$2,800,000 on the later to occur of the termination of his employment with us or his turning 60, if Mr. McQuade remains employed by us through both the scheduled termination date of the employment agreement and his turning 60.

The CHRC, in accordance with the terms of our stock compensation plan, will determine the exercise price of the stock options granted pursuant to the employment agreement. The vesting of Mr. McQuade's initial and annual equity-based compensation is subject to his continued employment with us. The CHRC in its discretion may accelerate the vesting of the restricted stock units or stock options or provide for an accelerated vesting schedule.

Upon a change in control (as that term is defined in the employment agreement), the same provisions apply as set forth in Mr. Syron's agreement except that the payment to Mr. McQuade will be \$6,000,000 in cash for each cancelled equity award.

Mr. McQuade may terminate his employment agreement for good reason if, among other things, any one or more of the reasons set forth in his employment agreement occur without his prior written consent including:

- A reduction in his then-current base salary or target or maximum annual bonus opportunity;
- A material diminution or change in his duties or responsibilities;
- A change in the reporting structure so that he reports to any person or entity other than the CEO or the Board;
- Someone other than Mr. McQuade is appointed to succeed Mr. Syron as CEO, except for the appointment of an interim CEO for a period not to exceed six months;
- Mr. McQuade is not appointed to succeed Mr. Syron as CEO by September 1, 2007; or
- We elect not to renew the term of the agreement at any time prior to December 31, 2014.

Subject to Mr. McQuade's execution of a general release and waiver, in the event his employment is terminated by him for good reason or by us without cause (as those terms are defined in the employment agreement):

- We will pay Mr. McQuade any accrued and unpaid base salary as well as any earned but unpaid bonus amounts from our most recently completed calendar year;
- We will pay Mr. McQuade a lump sum cash payment equal to the base salary and target bonuses that would have been paid to him for the longer of (i) one year and (ii) the remaining term of his employment agreement (the "Severance Period");
- We will provide Mr. McQuade and his beneficiaries with continued coverage during the Severance Period under our medical, dental and other similar benefit plans in which they participated prior to the termination of his employment;
- We will provide Mr. McQuade with the same SERP benefit as is to be provided to Mr. Syron under similar circumstances;

- All restricted stock units awarded to Mr. McQuade at least 12 months prior to the termination of his employment will immediately vest and be paid out;
- All options granted to Mr. McQuade at least 12 months prior to the termination will become immediately exercisable until the earlier to occur of (i) three years following the termination or (ii) the scheduled expiration date applicable to the options; and
- The initial equity award or any annual equity awards made less than 12 months prior to the termination will be cancelled in consideration of our payment to Mr. McQuade of \$6,000,000 in cash for each cancelled equity award.

However, if Mr. McQuade resigns because he is not appointed to succeed Mr. Syron as CEO by September 1, 2007 or he otherwise resigns for good reason during 2007 because Mr. Syron ceases to be CEO and someone other than Mr. McQuade is appointed as his successor (other than an interim CEO as described above), then awards issued to Mr. McQuade in 2007 will not be subject to the accelerated vesting provisions described in the fifth, sixth and seventh bullets immediately above. In addition, if the termination is due to our decision not to renew the employment agreement, Mr. McQuade will be entitled to an additional year's service credit with respect to his unvested equity awards in lieu of the accelerated vesting provisions described immediately above.

In the event of termination of Mr. McQuade's employment prior to the scheduled termination date due to disability or death, we will provide Mr. McQuade with benefits similar to those provided to Mr. Syron under the same circumstances.

Patricia L. Cook

Ms. Cook joined Freddie Mac as our Executive Vice President — Investments on August 2, 2004 and became Executive Vice President — Investments and Capital Markets on February 1, 2005. Under the terms of a letter agreement 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 the opportunity to earn short-term and long-term performance-based incentives. Assuming continued employment in the specified position, the agreement provides for a guaranteed minimum cash bonus for 2004 of \$1,000,000 (which was her actual bonus for 2004). Thereafter, Ms. Cook has the opportunity to earn 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. Previously, the agreement also provided that she had the opportunity to earn an annual long-term incentive compensation grant that, after 2004, was subject to a maximum of 250% of her annualized base salary. Based on Ms. Cook's contributions to Freddie Mac to date, the CHRC on May 6, 2005 removed the restriction on the maximum amount of Ms. Cook's annual long-term incentive compensation.

Under the terms of the agreement, Ms. Cook received a one-time sign-on cash bonus in the amount of \$2,000,000 in August 2004. If Ms. Cook resigns or we terminate her employment for violating any standard of conduct, attendance or behavior embodied in Freddie Mac's standards of conduct under our progressive discipline policy before the first anniversary of her employment date, she is required to repay the full amount of her sign-on cash bonus. Ms. Cook also received a one-time restricted stock unit grant with an aggregate value on the date of grant of \$750,000 on August 2, 2004, which restrictions lapse in three equal installments beginning on the first

anniversary of the grant date; a guaranteed initial long-term incentive grant of \$1,500,000, of which two-thirds was in the form of restricted stock units and one-third was in the form of stock options; and our executive relocation package. The long-term incentive awards vest in four equal installments beginning on the first anniversary of the grant date. If Ms. Cook's employment with Freddie Mac terminates for any reason (other than disability or death) prior to the lapse of restrictions on her restricted stock unit grant, she forfeits all the units.

The agreement also provides that if we terminate Ms. Cook prior to the second anniversary of her employment date other than for gross misconduct (as that term is defined in our officer severance policy) or any other willful or malicious misconduct on her part that is substantially injurious to Freddie Mac, she will receive a lump sum cash severance payment equal to \$3,800,000, minus \$133,333.33 per month for each whole month worked beginning on her employment date and ending the day prior to the second anniversary of her employment date. In the event that 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 or any other willful or malicious misconduct on her part that is substantially injurious to Freddie Mac, she will receive a lump sum cash severance payment in the amount of \$600,000. The termination benefits of the agreement have been approved by OFHEO.

Martin F. Baumann

We hired Mr. Baumann in April 2003 as Executive Vice President — Finance. In June 2003, he was appointed Chief Financial Officer. Under the terms of an offer letter dated March 18, 2003, Mr. Baumann received a base salary in 2003 of \$500,000 and the opportunity to earn short-term and long-term performance-based incentives. He also received a one-time sign-on cash bonus in the amount of \$200,000 and our executive relocation package. If Mr. Baumann resigns or we terminate his employment for gross misconduct (as defined in our officer severance policy) during the year prior to the third anniversary of his employment, he is required to repay one-third of the sign-on bonus.

On November 26, 2003, Mr. Baumann received an initial equity award of restricted stock units with an aggregate value on the date of grant of \$921,233, and options for 32,900 shares of stock with an aggregate value on the date of grant of \$750,097. The restricted stock units granted will vest in one lump sum on March 6, 2008, and the stock options granted will vest at the rate of 25% each in March 2005, March 2006, March 2007 and March 2008, subject to Mr. Baumann's continued employment. The closing price of our common stock on November 26, 2003 was used to determine the aggregate value of the above restricted stock unit award.

In October 2003, Mr. Baumann entered into a letter agreement with us that sets forth his cash compensation for calendar years 2004 and 2005. For each of 2004 and 2005, we agreed to:

- Increase Mr. Baumann's base salary of \$500,000 by not less than 3% per year; and
- Pay a short-term incentive cash bonus of not less than 120% of his base salary.

Mr. Baumann's actual short-term incentive cash bonus for 2004 was \$1,000,000. Mr. Baumann also received a 2004 retention bonus payment in the amount of \$300,000.

Executive Compensation

The agreement also provides that if we terminate Mr. Baumann other than for gross misconduct (as that term is defined in our officer severance policy) prior to December 31, 2005, he will receive a lump sum cash severance payment equal to his base salary for 2004 and 2005 plus a minimum bonus equal to 120% of base salary for 2004 and 2005, less any salary and bonus for 2004 or 2005 we previously paid to Mr. Baumann. If Mr. Baumann resigns or we terminate his employment for gross misconduct, he will receive no severance benefit under this agreement. This severance benefit is in addition to any other severance benefits to which Mr. Baumann would otherwise be entitled under our officer severance policy, which could include an additional amount equal to 12 months of base salary under certain circumstances. The term of the agreement ends on December 31, 2005. The termination benefits of the agreement have been approved by OFHEO.

Ralph F. Boyd, Jr.

Mr. Boyd joined Freddie Mac on April 1, 2004 as our Executive Vice President, General Counsel and Corporate Secretary. Under the terms of a letter agreement dated March 3, 2004, Mr. Boyd received an annualized base salary of \$500,000. Subject to Mr. Boyd continuing to be employed in the position of Executive Vice President and General Counsel, Mr. Boyd was entitled to receive a guaranteed minimum 2004 and 2005 cash bonuses of 100% of his base salary received, subject to a maximum of 200% of this minimum; and was eligible to receive for 2004 a long-term performance based incentive award of 200% of his base salary, of which no less than 35% was required to be made in the form of restricted stock units. Mr. Boyd also received a one-time sign-on cash bonus in the amount of \$125,000, which was subject to repayment if Mr. Boyd resigned or we terminated his employment for violating any standard of conduct, attendance or behavior embodied in Freddie Mac's standards of conduct under our progressive discipline policy before the first anniversary of his employment date. In February 2005, Mr. Boyd was named Executive Vice President — Community Relations and Chairman of the Board of Directors of the Freddie Mac Foundation. The compensation terms set forth in the March 3, 2004 letter agreement are not applicable to his new position.

Paul Peterson

Mr. Peterson served as our Executive Vice President — Chief Operating Officer through August 31, 2004. On August 13, 2004, we entered into a termination of employment agreement with Mr. Peterson. Pursuant to that agreement, Mr. Peterson executed a general release and waiver and, following the termination of his employment, he is subject to a three-year non-competition covenant with certain specified banking and financial services institutions, a one-year non-competition covenant with certain specified consulting companies and a three-year non-solicitation of employees covenant.

Pursuant to the termination of employment agreement, Mr. Peterson served as a Senior Advisor to the Chairman and Chief Executive Officer from September 1, 2004 through March 31, 2005 at an annualized base salary of \$450,000. Mr. Peterson also received a short-term incentive payment attributable to his 2004 performance in the amount of \$450,000, which was subject to his execution on March 31, 2005 of a second general release and waiver covering the period between August 13, 2004 (the date of his first general release and waiver) and March 31, 2005 (the date that his employment with us terminated).

Subject to Mr. Peterson's fulfillment of his non-competition and non-solicitation obligations, the termination of employment agreement also provides for a change in the treatment of the following three equity grants (collectively, the grants) made to Mr. Peterson during his employment: a March 2, 2001 grant of 4,040 shares of restricted stock, or the March 2, 2001 grant; a March 1, 2002 grant of 5,260 restricted stock units, or the March 1, 2002 grant; and a November 26, 2003 grant of 8,900 restricted stock units, or the November 26, 2003 grant. The original terms of the grants provided, in part, that upon Mr. Peterson's retirement (as that term is defined in our 1995 Stock Compensation Plan), he would forfeit any unvested restricted stock or restricted stock units unless the CHRC exercised its discretion to provide for the immediate vesting of any unvested restricted stock or restricted stock units. The termination of employment agreement amends that term of the grants to provide that upon Mr. Peterson's retirement, the grants will continue to vest based on the otherwise applicable vesting schedule.

Pursuant to the terms of Mr. Peterson's February 21, 2002 Election Form for Deferral of Restricted Stock Units (pertaining to the March 1, 2002 grant) and January 1, 2004 Election Form for Deferral of Restricted Stock Units (pertaining to the November 26, 2003 grant) (collectively, the deferral elections), we had previously agreed with Mr. Peterson to defer settlement of the grants with distribution to commence 30 days following retirement (as defined in the Executive Deferred Compensation Plan) in 15 and in ten equal annual installments, respectively. In light of the revised term of the March 1, 2002 grant and of the November 26, 2003 grant to continue vesting based on the otherwise applicable vesting schedule upon Mr. Peterson's retirement, the CHRC, with Mr. Peterson's concurrence, revised the Deferral Elections to commence distribution of each of the March 1, 2002 grant and the November 26, 2003 grant upon the completion of the revised vesting schedule for those grants.

In addition, pursuant to the terms of our officer severance policy, the employment termination agreement provided Mr. Peterson with severance in an amount equal to his annualized base salary of \$450,000.

The termination benefits of the employment termination agreement have been approved by OFHEO.

PROPOSAL 2: RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS

As part of our implementing the Sarbanes-Oxley Act, the Audit Committee (rather than the full Board) selects our independent auditors, reviews the scope of the annual audit and pre-approves audit-related and other services to be performed by the independent auditors. The Audit Committee has evaluated the performance of PricewaterhouseCoopers and has selected them as our independent auditors for our fiscal year 2005. You are requested to ratify the Audit Committee's appointment of PricewaterhouseCoopers as independent auditors for our fiscal year 2005. Representatives of PricewaterhouseCoopers will be present at the annual meeting and will be given the opportunity to make a statement, if they desire to do so, and to respond to appropriate questions from stockholders present at the meeting. Unless stockholders specify otherwise in the proxy, proxies solicited by the Board will be voted by the proxy holders at the annual meeting to ratify the selection of PricewaterhouseCoopers as our independent auditors for our fiscal year 2005. A majority of the votes cast at the annual meeting is required for ratification.

Description of Fees⁽¹⁾

The following is a description of fees billed to us by PricewaterhouseCoopers during 2003 and 2004.

	<u>2004</u>	<u>2003</u>
Audit Fees ⁽²⁾	\$63,848,550	\$46,105,623
Audit-Related Fees ⁽³⁾	9,540,394	1,442,000
Tax Fees ⁽⁴⁾	23,940	74,333
All Other Fees ⁽⁵⁾	498,184	321,646
Total	<u>\$73,911,068</u>	<u>\$47,943,602</u>

(1) These fees represent amounts billed within the designated year and include reimbursable expenses of \$4,106,392 and \$4,908,121 for 2004 and 2003, respectively.

(2) Audit fees include fees billed by PricewaterhouseCoopers in connection with the audits of our annual consolidated financial statements. The audit fees during 2003 primarily represent fees in connection with the reaudit of our 2000 and 2001 consolidated financial statements and the audit of our 2002 consolidated financial statements. The audit fees during 2004 include fees for portions of the 2002 (\$4,214,550) and 2004 (\$15,000,000) audits, and fees (\$44,634,000) related to the 2003 audit. In addition to the amounts shown above, approximately \$16.6 million of fees and \$1.7 million of reimbursable expenses have been billed in 2005 for the 2004 audit, and an additional \$1.7 million of reimbursable expenses have been billed in 2005 for the 2003 and 2002 audits. Audit fees of \$18,250 and \$15,000 in 2004 and 2003, respectively, related to the Freddie Mac Foundation are excluded because these fees are incurred and paid separately by the Freddie Mac Foundation.

(3) 2004 audit-related fees principally include fees related to internal control design reviews (\$6,791,668), agreed upon procedures associated with Freddie Mac sponsored securitization transactions (\$1,393,500) and proxy disclosures (\$150,000), and internal control reviews of various reporting processes (\$1,205,227), including an internal control review associated with the consent order we entered into with OFHEO (\$592,479). 2003 audit-related fees principally include fees related to agreed upon procedures associated with Freddie Mac sponsored securitization transactions (\$1,342,000) and internal control design reviews (\$100,000).

(4) Tax fees include fees for providing periodic updates on tax matters and certain advisory services.

Proposal 2: Ratification of Appointment of Independent Auditors

- (5) All other fees in 2004 primarily relate to an independent assessment of the internal accounting function associated with the consent order we entered into with OFHEO (\$495,184). All other fees in 2003 primarily relate to advisory procedures surrounding our non-GAAP financial measures (\$300,000).

Approval of Independent Auditor Services and Fees

The Sarbanes-Oxley Act and rules adopted by the SEC thereunder require that all services provided to companies subject to the reporting requirements of the Exchange Act by their independent auditors be pre-approved by their audit committee or by authorized members of the committee, with certain exceptions. The Audit Committee's charter requires that the Audit Committee pre-approve any audit services, and any non-audit services permitted under applicable law, to be performed by our independent auditors (or to designate one or more members of the Audit Committee to pre-approve such services and to report such pre-approval to the Audit Committee).

Audit services that are within the scope of an auditor's engagement letter approved by the Audit Committee prior to the performance of those services are deemed pre-approved and do not require separate pre-approval. Audit services not within the scope of an Audit Committee-approved engagement letter, as well as permissible non-audit services, must be separately pre-approved by the Audit Committee.

When the Audit Committee pre-approves a service, the Audit Committee typically sets a dollar limit for such service. Management endeavors to obtain pre-approval of the Audit Committee, or of the Chairman of the Audit Committee (when the Chairman of the Audit Committee has been delegated such authority), before it incurs fees in excess of the dollar limit. If the Chairman of the Audit Committee approves the increase, the Chairman will report his actions at the Audit Committee's next scheduled meeting.

The pre-approval procedure is administered by our senior financial management, which reports throughout the year to the Audit Committee. The Audit Committee pre-approved all audit and non-audit services performed in 2004, except for \$8,160 of fees in connection with certain audit-related agreed upon procedures performed by PricewaterhouseCoopers in November 2004 that were reviewed and ratified by the Audit Committee in December 2004. These fees represented less than 0.1% of the total amount of audit-related services for 2004 and were billed to Freddie Mac in 2005.

We recommend that you vote *for* the ratification of the selection of PricewaterhouseCoopers as our independent auditors for 2005.

OTHER PROPOSED ACTIONS

As of the date of this Proxy Statement, there are no matters that the Board intends to present, or has reason to believe others will present, for a vote at the annual meeting other than those described in this Proxy Statement. If any other matters come before the annual meeting, the persons designated as proxies will vote in accordance with their best judgment.

AVAILABILITY OF ANNUAL REPORT

Our Annual Report, which contains audited consolidated financial statements for 2004 and other information, accompanies this Proxy Statement. Additional copies of the Annual Report and any Information Statement Supplements may be obtained without charge by visiting our Internet Website (www.freddiemac.com/investors) or by writing or calling us at:

Freddie Mac
Investor Relations Department
Mailstop D40
1551 Park Run Drive
McLean, VA 22102-3110
Telephone: (571) 382-4732 or 1-800-FREDDIE (800-373-3343)
shareholder@freddiemac.com

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING

Section 16(a) of the Exchange Act requires directors and certain officers of reporting companies, and persons who own more than 10% of a registered class of such company's equity securities, to file reports of ownership and changes in ownership with the SEC and the exchange on which such company's securities trade, and to furnish the company with copies of the reports. Until Freddie Mac completes voluntary registration with the SEC, its directors and executive officers are not subject to these requirements. However, Freddie Mac's directors and executive officers provide the equivalent of Section 16(a) reports to us, and we make them available on our Website at www.freddiemac.com within the same time frames observed by reporting persons of SEC registrants. Freddie Mac believes that during the 2004 fiscal year, its directors and executive officers complied with such reporting obligations except for the following item. Due to an administrative error, the Form 3 filed by Joseph Smialowski upon his appointment as Executive Vice President — Operations and Technology did not reflect his ownership of 500 shares of Freddie Mac preferred stock. This error resulted from the failure of Mr. Smialowski's investment account manager to execute his instructions to sell those shares prior to his joining Freddie Mac. After learning that the shares had not been sold, Mr. Smialowski subsequently provided us with an amended Form 3 that reflected his beneficial ownership of those shares.

STOCKHOLDER PROPOSALS AND NOMINATIONS FOR NEXT ANNUAL MEETING OF STOCKHOLDERS

As we did for this annual meeting, we will announce by press release the timeframes and process for submitting stockholder proposals and director nominations once we are more certain regarding the timing of the next annual meeting. To be considered for inclusion in the next proxy statement, stockholder proposals must be submitted in writing by the announced deadline to the

Other Matters

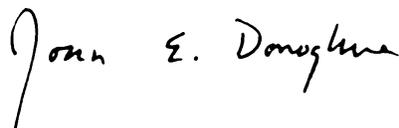
Corporate Secretary, Freddie Mac, 8200 Jones Branch Drive, McLean, Virginia 22102. The written notice must be accompanied by specific information regarding the proposal and the interest of the stockholder. If the stockholder does not comply with the requirements as set forth in our bylaws, the chair of the next annual meeting may declare the proposal not properly brought before the meeting.

Stockholder nominations of candidates for election as directors must be submitted in writing to the Corporate Secretary, Freddie Mac, 8200 Jones Branch Drive, McLean, Virginia 22102 by the same deadlines as for stockholder proposals. The written notice must include (i) the name, age, business address and residential address of the nominee, (ii) the principal occupation or employment of the nominee, (iii) a description of all arrangements or understandings between the stockholder and the nominee and any other person relating to the nomination, and (iv) all other information about the nominee that would be required to be included in a proxy statement soliciting proxies for the election of directors under the rules promulgated under the Exchange Act, as well as a written consent from the nominee to being named in the proxy statement and to serve if elected, as described in Section 3.03 of our bylaws. The stockholder also must provide his, her or its name and record address, the number of shares beneficially owned and a representation that the stockholder intends to appear in person or by proxy at the meeting to make the nomination. If the stockholder does not comply with the requirements of Section 3.03 of our bylaws, the chair of the annual stockholders' meeting may so declare to the meeting and the defective nomination will be disregarded.

SOLICITATION BY BOARD; EXPENSES OF SOLICITATION

Our Board has sent you this Proxy Statement. We will pay all expenses in connection with the solicitation of the enclosed proxy. In addition to solicitation by mail, our officers and employees, who will receive no extra compensation for their services, may solicit proxies by telephone, in writing or in person. We also have retained Morrow & Co. Inc., a proxy soliciting firm, to assist in the solicitation of proxies for an estimated fee of \$15,000 plus reimbursement of reasonable out-of-pocket expenses. We also will reimburse the expenses of brokers and nominees who hold shares in their names to furnish proxy materials to the beneficial owners of such shares and, upon request, will reimburse such brokers and nominees for their reasonable out-of-pocket expenses.

By Order of the Board of Directors,



Joan E. Donoghue
*Senior Vice President, General
Counsel and Corporate Secretary*

June 14, 2005

Other Matters

FREDDIE MAC'S CORPORATE GOVERNANCE GUIDELINES

The Board of Directors (the “Board”) of the Federal Home Loan Mortgage Corporation (“Freddie Mac” or the “Company”) has adopted the Corporate Governance Guidelines (the “Guidelines”) set forth below to assist the Board in the exercise of its responsibilities. These Guidelines should be interpreted in accordance with any applicable legal requirements, including those imposed by federal or state law or regulation, the New York Stock Exchange and Freddie Mac’s statutory Charter and Bylaws. The Board may amend these Guidelines from time to time.

The Governance and Nominating Committee is responsible for reviewing and recommending to the Board appropriate changes to these Guidelines to reflect changes in legal or regulatory requirements, evolving governance practices and the Board’s policies and procedures. The Governance and Nominating Committee also oversees the implementation of the Guidelines by the Board and management. These Guidelines are published on Freddie Mac’s Internet website (www.freddiemac.com) and will be provided in print to any stockholder on request.

1. BOARD SIZE AND BOARD COMMITTEES: Under its statutory Charter, Freddie Mac’s Board of Directors has 18 members (“Directors”), with 13 elected by Freddie Mac’s stockholders and five appointed by the President of the United States. Stockholder-elected and Presidentially appointed Directors have the same responsibilities.

The Board’s standing committees include an Audit Committee, a Compensation and Human Resources Committee, and a Governance and Nominating Committee (the members of which include the Lead Director and the chairs of all of the other standing committees). Other standing committees, which address Freddie Mac business matters, are the Finance and Capital Deployment Committee and the Mission and Sourcing Committee. Each Committee has a charter, adopted by the Board and published on Freddie Mac’s Internet website (www.freddiemac.com), that specifies its authority and responsibilities.

2. BOARD AND COMMITTEE MEETINGS: The Board will meet at least eight times each year, including at least six regularly scheduled meetings, and at least once each calendar quarter. The Audit Committee and the Governance and Nominating Committee also will meet at least eight times each year and the Board anticipates an average of eight meetings per year of all of its standing Committees, subject to business needs. All standing Committees will hold at least six regularly scheduled meetings each year. The schedule of Board and standing Committee meetings is determined annually, in advance. The length of such meetings will depend on the number and nature of the matters to be addressed, but most regularly scheduled sets of Board and standing Committee meetings will run for at least one and a half days. Agendas for Board meetings are set by the Chairperson, with input from the Lead Director, other members of the Board and management. Agendas for Committee meetings are set by the chairs of the respective Committees, with input from other Committee members and management.

3. DIRECTOR RESPONSIBILITIES: The primary responsibility of members of the Board of Directors is to promote the fulfillment of Freddie Mac’s public mission, the Company’s safety and soundness, and the interests of the Company’s stockholders, through their oversight of Freddie Mac’s business.

In fulfilling this role, some of the specific functions of the Board are to:

- Promote ethical conduct on the part of the Company and its employees and oversee its compliance with applicable laws and regulations and the integrity of its financial disclosures.
- Oversee the development of corporate strategy and monitor its implementation.
- Select and evaluate the Chief Executive Officer and plan for management succession.
- Oversee the establishment and implementation of effective corporate governance processes.

Consistent with applicable legal requirements, the Board may delegate some of these functions to a Committee.

Directors are expected to devote the time and attention necessary to fully discharge their responsibilities as members of the Board and Committees, including attending all meetings of the Board and of Committees of which they are members. Materials scheduled to be discussed at the meetings are sent to Directors in advance of the meetings, except in unusual circumstances, and Directors are expected to review those materials prior to the meetings.

4. BOARD AND COMMITTEE INDEPENDENCE: A substantial majority of the members of the Board will be independent, as determined by the Directors who are not officers or employees of Freddie Mac (“Outside Directors”), acting on behalf of the Board, under the standards set forth in these Guidelines. All members of the Audit Committee, Compensation and Human Resources Committee and Governance and Nominating Committee and the chairs of all standing committees will be independent under those standards (and, in the case of Audit Committee members, the requirements of SEC Rule 10A-3(b)(1)).

Before publication of Freddie Mac’s annual proxy statement, the Outside Directors will make a determination regarding the independence of each nominee for election or re-election to the Board, each Director appointed by the President, and any other Director who joined the Board since the last annual independence determination. These determinations and the basis for them (including, as applicable, application of the independence standards set forth below) will be disclosed in the proxy statement.

Each independent Director is obligated to inform the Board promptly of any change in circumstances that might cause the Board to conclude that the Director is no longer independent. The Outside Directors shall consider any such information and, if they determine that the Director is no longer independent, that determination and the basis for it shall be disclosed on Freddie Mac’s Internet website (www.freddiemac.com).

5. INDEPENDENCE STANDARDS: For a Director to be considered independent, the Board must determine that the Director does not have any material relationship with Freddie Mac.

The Board will solicit, and each Director will disclose to the Board, information concerning any employment, personal service or charitable relationships of the general types described below (regardless of whether the relationships satisfy the specified criteria) and any other potentially material relationships, direct or indirect, between the Director and Freddie Mac.

In determining whether a Director is independent, the Board will consider whether any such relationships, taken as a whole, would impair the Director’s judgment as a member of the Board or

create the perception or appearance of such an impairment. When another entity has a relationship with both a Director and Freddie Mac, the Board will take into consideration the nature and extent of those relationships.

To assist it in making and disclosing independence determinations, and as contemplated by the rules of the New York Stock Exchange, the Board has established independence categories, set forth below, that cover a number of types of actual or potential Director relationships. Criteria associated with each category specify the types of relationships within the category that will require a determination that a Director is not independent. Other relationships that fall within the categories will not preclude a finding that a Director is independent. However, the Board will consider any such relationships, along with any potentially material relationships that do not fall within these categories, in determining whether all of the Director's relationships, taken as a whole, impair the Director's independence.

CATEGORIES	CRITERIA
Employment by Freddie Mac	A Director will not be deemed independent if, within the past three years, the Director was employed by Freddie Mac, or an immediate family member was an executive officer of Freddie Mac or employed in a professional capacity in Freddie Mac's Internal Audit Division. For purposes of these Guidelines, an immediate family member means a spouse, parents, children, siblings, in-laws (including mothers, fathers, sons, daughters, brothers and sisters-in-law), and anyone other than a domestic employee who shares a Director's home.
Direct Compensation from Freddie Mac	A Director will not be deemed independent if, during any twelve-month period within the past three years, the Director or an immediate family member received more than \$100,000 in direct compensation from Freddie Mac (other than fees for Board service, and pension or other deferred compensation for prior service which is not contingent on continued service). If a Director or an immediate family member received any such compensation in an amount that did not exceed \$100,000 during any twelve-month period within the past three years, the Director will not be deemed independent unless the Board specifically determines otherwise.
Affiliation with or Employment by Freddie Mac's External Auditor	A Director will not be deemed independent if: (i) the Director is a partner or employee of Freddie Mac's current external auditor; (ii) an immediate family member of the Director is a partner of the current external auditor or an employee who participates in the auditor's audit, assurance or tax compliance practices; or (iii) during the last three years, the Director or an immediate family member was a partner or employee of the current external auditor and personally worked on Freddie Mac's audit.

Freddie Mac Executive Officer Membership on the Board of a Director's Employer

A Director will not be deemed independent if, within the past three years, a current executive officer of Freddie Mac served on the board of directors of the employer of the Director or of an immediate family member at the time that the Director or immediate family member was an executive officer of that employer.

Affiliation with an Entity that Does Business with Freddie Mac

A Director will not be deemed independent if the Director is an executive officer or employee, or an immediate family member is an executive officer, of a company that, during any one of that company's past three fiscal years, made payments to, or received payments from, Freddie Mac for property or services in an amount that exceeded the greater of \$1 million or 2% of that company's consolidated gross revenues in that fiscal year.

Consulting Services to Freddie Mac Executive Officers

Unless the Board makes a specific determination otherwise, a Director will not be considered independent if, during the past three years, (i) the Director or an immediate family member received any fees for providing accounting, consulting, legal, investment banking or financial advisory services to a current executive officer of Freddie Mac, (ii) the Director or an immediate family member was an executive officer, partner or managing director (or held a similar position) in a business unit that provided such services within an organization that received such fees, or (iii) the Director or an immediate family member was a 10% or more equity holder of an organization that received such fees.

Affiliation with a Charity that Receives Contributions from Freddie Mac

Unless the Board makes a specific determination otherwise, a Director will not be considered independent if the Director or the Director's immediate family member is an officer, director or trustee of a charitable institution (other than the Freddie Mac Foundation) that, during any one of the last three years, received more than \$100,000, or 2% of its consolidated gross revenues, whichever is greater, during that year from charitable contributions by Freddie Mac, direct contributions by the Freddie Mac Foundation, Freddie Mac Foundation matching contributions for executive officers, and contributions by executive officers of Freddie Mac.

Open Market Transactions in Freddie Mac Securities

A Director's independence will not be considered impaired because the Director, or an organization with which the Director is affiliated, buys or sells Freddie Mac securities in open market transactions or other arms-length transactions (such as auctions), for the Director's own account or the account of others.

6. DIRECTOR QUALIFICATIONS AND NOMINATIONS: Freddie Mac’s Board seeks candidates for election to the Board who have achieved a high level of stature, success and respect in their principal occupations. Directors must exemplify high standards of integrity and be committed both to Freddie Mac’s public mission and to the interests of its stockholders. Freddie Mac seeks to have a diversity of talent on the Board. Candidates will be selected for their character, judgment, experience and expertise.

Directors must have the ability and time to commit to Board service. For this reason, the Board has established the following recommendations and ceilings for membership by Outside Directors on the boards of directors of other publicly-traded companies (in addition to Freddie Mac’s Board and, for CEOs and other fully employed Directors, the board of directors of the Director’s employer if applicable), depending on the nature of the Director’s employment:

<u>Employment Status</u>	<u>Recommendation</u>	<u>Ceiling</u>
CEO of a public company or other comparable position	None	No more than one
Other full-time employment	No more than two	No more than three
Other Directors	No more than four	No more than five

Members of Freddie Mac’s Audit Committee may not serve on more than two other public company audit committees.

The Board may permit a Director to serve on other boards of directors and/or audit committees in excess of the above ceilings if the Board determines, in light of the nature of such commitments, that such service will not impair the Director’s ability to serve effectively as a member of Freddie Mac’s Board and the Committees on which the Director sits. Any such determination shall be published in Freddie Mac’s annual proxy statement.

A Freddie Mac employee whose employment terminates while he or she is a member of the Board of Directors shall be deemed to have tendered his or her resignation as a Director, effective as of the date of termination of his or her employment. The Board shall determine whether the resignation should be accepted in light of applicable circumstances.

The Board recognizes the benefits to be gained from both long-term service and the periodic addition of new members to the Board. As part of the annual nomination process, the Governance and Nominating Committee considers candidates for nomination that may come to its attention through several different means, including recommendations from Board members, senior management and professional search firms, stockholder nominations, and other sources. The Committee considers the needs of the Company and the talents and skills then available on the Board and makes appropriate recommendations. The Committee considers the independence of the stockholder-elected Directors, their willingness to continue to serve on the Board and devote the necessary time, the contributions that they have made to Board and Committee discussions and decision making, their continued involvement in business and professional activities relevant to the Company, the skills and experience that should be represented on the Board, the availability of other individuals with desirable skills to join the Board and the desire to maintain a diverse Board. The Committee then recommends, and the Board determines, whether to nominate such Directors for election for another term.

An Outside Director elected by the stockholders shall not be renominated for election to the Board if the Director will have served on the Board for ten years at the time of such election, unless the Board determines, on the recommendation of the Governance and Nominating Committee, that the interests of Freddie Mac and its stockholders strongly support continued service by that Director for

another term, and any necessary regulatory approval has been obtained. Any such determinations shall be disclosed in Freddie Mac's annual proxy statement. A Director shall not be renominated for more than one additional term on the basis of such a determination.

The Board has determined that the interests of Freddie Mac and its stockholders strongly support a transition period of service for the three Directors who have served on the Board for more than ten years. To ensure an orderly transition, and subject to any necessary regulatory approval, one of those three Directors may be renominated for no more than one additional term beginning in July 2005 and another of those three Directors may be renominated for no more than two such additional terms, without any further express determination by the Board.

A Director elected by the stockholders who will have reached age 72 by the date of the next election of Directors shall not be renominated for election to the Board unless the Board determines, on the recommendation of the Governance and Nominating Committee, that the interests of Freddie Mac and its stockholders strongly support continued service by that Director for another term, and any necessary regulatory approval has been obtained. Any such determination shall be disclosed in Freddie Mac's annual proxy statement. A Director shall not be renominated for more than one additional term on the basis of such a determination.

A change in a Director's status (such as a change in principal occupation) triggers a review by the Governance and Nominating Committee concerning the Director's continued membership on the Board.

7. SELECTION OF CHAIRPERSON: The Board elects one of its Directors as its Chairperson each year at its first meeting after the annual stockholders' meeting. If at any time the Chairperson is not an independent Outside Director, the Board also shall elect an independent Outside Director as Lead Director. If the Chairperson is an independent Outside Director, the Chairperson shall serve as Lead Director unless the Board elects another independent Outside Director to that position.

8. EXECUTIVE SESSIONS OF OUTSIDE DIRECTORS: The Outside Directors meet in executive session at each regular meeting of the Board, and at any additional times as the Chairperson (if an independent Outside Director), the Lead Director or a majority of the Outside Directors may determine. If any of the Outside Directors are not independent, then the independent Outside Directors also shall meet separately at least once each year. The Chairperson (if an independent Outside Director) or the Lead Director sets the agenda for meetings of the Outside Directors and, if applicable, the independent Outside Directors, based on input from the other Directors eligible to attend such meetings, and presides over the meetings.

9. COMMUNICATIONS: Any investor, employee or other interested party may contact the Board at an address published on Freddie Mac's Internet website (www.freddiemac.com) and in its annual proxy statement. Comments or complaints relating to accounting, internal accounting controls or auditing matters will be forwarded to the Chair of the Audit Committee, for treatment pursuant to the Audit Committee's complaint procedures, and to the Lead Director. All other comments will be forwarded to the Lead Director. Comments that indicate that they are to be submitted to the Lead Director or the Chair of the Audit Committee anonymously or confidentially will be treated accordingly. Comments will be acknowledged in writing by the Corporate Secretary upon receipt, unless they are anonymous.

The Lead Director or Chair of the Audit Committee, as applicable, will take whatever action he or she believes appropriate in response to such communications and may seek advice from the other Outside Directors, the Board, a Board Committee, independent advisors and/or management.

Employees may communicate with management, the Internal Audit Division or the Audit Committee of the Board to express concerns or complaints regarding accounting matters, internal accounting controls or auditing matters. Procedures for employees to submit such concerns and complaints, which may be submitted anonymously, are set forth in a Corporate Policy available to all employees.

Management generally speaks on behalf of Freddie Mac. Public communications by the Board, when appropriate, will generally be made by, or at the direction of, the Chairperson of the Board.

10. ANNUAL BOARD PERFORMANCE EVALUATION: Each year, the standing Committees evaluate their performance. The Board also evaluates its performance and, with input from each of the standing Committees, the performance of those Committees. The evaluations include an assessment of the information being provided to the Board by management. The Governance and Nominating Committee oversees those evaluations and, based on the evaluations, makes appropriate recommendations to the Board and the Committees concerning their policies and procedures.

The Board reviews the performance of individual stockholder-elected Directors annually in conjunction with the annual nomination process.

11. SENIOR EXECUTIVE PERFORMANCE REVIEW AND COMPENSATION: The Compensation and Human Resources Committee annually evaluates the performance of Freddie Mac's CEO and approves the compensation of Freddie Mac's CEO and its other senior executives, other than the General Auditor.

In determining the compensation of the CEO and the other senior executives, the Compensation and Human Resources Committee considers Freddie Mac's performance, the executives' individual performance, their duties and responsibilities, and compensation for employment involving similar duties and responsibilities in similar businesses.

The Audit Committee annually reviews the performance of, and determines the compensation of, Freddie Mac's General Auditor.

12. MANAGEMENT SUCCESSION: The Compensation and Human Resources Committee develops and maintains succession plans for Freddie Mac's senior executives. These plans include both the identification of one or more employees who could immediately fill each executive position on an interim basis in the event of an emergency and the identification of one or more employees who could fill each position for a longer term based on a development plan. In the event of the CEO's inability to act or a vacancy in the position, the Chief Operating Officer will perform the CEO's duties until the Board appoints a temporary or long-term successor.

13. DIRECTOR ORIENTATION AND CONTINUING EDUCATION: The Board believes that an effective orientation program and ongoing education are beneficial in enabling Directors to fulfill their responsibilities. The Chairperson oversees development of the orientation program. The orientation for each new Director takes place as soon as practical after a Director joins the Board. The orientation consists of written materials and oral briefings by management that will assist the Director in effectively overseeing the Company and fulfilling the Director's duties. The orientation topics generally include Freddie Mac's charter and mission, business strategy and plans, significant risk exposures and risk management, financial statements, corporate governance, Directors' responsibilities, Code of Conduct and regulatory oversight.

The Board and individual Directors advise management about desired topics for Board discussions and continuing education to assist in fulfilling their duties as Directors. Continuing education for Directors includes presentations on relevant topics by speakers in conjunction with Board meetings.

Directors are encouraged to attend external educational and training programs relevant to their service as Directors. Freddie Mac pays Directors' expenses associated with external continuing education.

14. DIRECTOR COMPENSATION AND INVESTMENT IN FREDDIE MAC STOCK:

Each year, the Board reviews compensation for Outside Directors. The Board believes that appropriate Director compensation:

- Helps attract and retain superior candidates to serve on the Board;
- Should be weighted toward stock-based compensation to enhance alignment with stockholder interests, with restricted stock or other stock-based compensation constituting at least 50% of Director compensation; and
- Should reflect corporate performance relative to comparable companies.

Within three years after joining the Board, Directors are expected to hold an investment of at least \$100,000 in Freddie Mac stock unless the Compensation and Human Resources Committee determines that it is unduly burdensome for a Director to make such an investment. This requirement may be satisfied by holding common stock received through equity compensation upon exercise of stock options or lapsing of restrictions on restricted stock or restricted stock units.

Employee Directors do not receive additional compensation for their Board service.

15. DIRECTOR ACCESS TO MANAGEMENT AND INDEPENDENT ADVISORS: Board members have complete access to Freddie Mac's management during and between Board meetings. In addition, the Board encourages the Chairperson to invite members of management to attend Board and Committee meetings to make presentations or to be available to respond to questions. The Board encourages direct communication between Directors and members of management, not limited to senior management.

The Board, its Outside Directors and any Board Committee (acting by a majority in each case) may retain any outside advisors that they deem appropriate to assist in fulfilling their responsibilities. Management will make funds available to pay any such advisors as directed by the Board, the Outside Directors or any Board Committee.

16. CODE OF CONDUCT: Freddie Mac Directors are subject to a Code of Conduct that is adopted by the Board and must agree to comply with that Code. Freddie Mac employees are subject to a Code of Conduct that is approved by the Audit Committee. Employees must certify annually that they are in compliance with the Code and must respond to an annual questionnaire from the Chief Compliance Officer concerning Code compliance. The Chief Compliance Officer reports to the Audit Committee at least annually on employee compliance with the Code of Conduct. The Director and employees Codes of Conduct shall be reviewed, and possible amendments to them shall be considered, at least once every three years. The Director and employee Codes of Conduct are published on Freddie Mac's Internet website (www.freddiemac.com) and will be provided in print to any stockholder on request.

June 2, 2005

**CHARTER OF THE AUDIT COMMITTEE
OF THE BOARD OF DIRECTORS
OF THE FEDERAL HOME LOAN MORTGAGE CORPORATION**

[Amended and Restated by the Board of Directors on June 2, 2005]

Organization, Membership Requirements and Committee Processes

The Audit Committee (the “Committee”) of the Board of Directors (the “Board”) of the Federal Home Loan Mortgage Corporation (“Freddie Mac”) shall consist of at least three members, including at least one “audit committee financial expert”, as defined in the regulations of the Securities and Exchange Commission. The membership of the Committee shall be independent and shall comply with all applicable laws, regulations and listing standards.

One member of the Committee shall be designated by the Board as the Committee’s Chairman.

The Committee generally shall hold at least six regularly scheduled meetings and a total of at least eight meetings each year. These meetings shall include regular sessions with management; executive sessions with the internal auditors, the independent public accountants and Chief Compliance Officer; and such other sessions with the Chief Compliance Officer, the internal auditors and/or other members of management as the Committee deems appropriate. The Committee’s Chairman shall report regularly to the Board on the Committee’s activities and minutes of the Committee’s meetings shall be submitted to the Board.

The members of the Committee shall have access to any employees of Freddie Mac, and shall have the authority to engage outside consultants or advisors including, but not limited to, attorneys, accountants, auditors and management consultants, as the Committee may deem appropriate to fulfill its responsibilities. Freddie Mac shall provide appropriate funding for the retention of any such consultants or advisors and for other necessary and appropriate administrative expenses of the Committee, all as determined by the Committee.

Purposes, Powers, Duties and Responsibilities of the Committee

Pursuant to the authority granted to it by the Board, the Committee is hereby charged with the following authority and responsibilities:

1. To oversee the performance of the Internal Audit Department, including:
 - (a) to approve the Charter for the Internal Audit Department and any subsequent changes thereto;
 - (b) to hire and, at least annually, determine the compensation of, evaluate the performance of and determine whether to retain the Senior Vice President — General Auditor;
 - (c) to review, with the Senior Vice President — General Auditor the annual plan, organization and staffing for the Internal Audit Department for the upcoming year, including any amendments to such plan;
 - (d) to review, with the Senior Vice President — General Auditor, the results of audits completed since the previous report and the status of the internal audit plan; and

- (e) to assess the effectiveness of the Internal Audit Department in light of its Charter, its annual plan, and applicable professional standards.
2. To appoint and to oversee the performance of, and relationship with, the independent public accountants, who shall report directly to, and be ultimately accountable to, the Committee, including:
- (a) to appoint, evaluate and, as the Committee may deem it appropriate, to terminate and to replace the independent public accountants, in accordance with applicable legal requirements, including those relating to conflicts of interest and rotation of audit partners;
 - (b) to pre-approve any audit services, and any non-audit services permitted under applicable law, to be performed by the independent public accountants (or to designate one or more members of the Committee to pre-approve such services and to report such pre-approval to the Committee);
 - (c) to determine the compensation of the independent public accountants, funding for which shall be provided by Freddie Mac, and to approve any other fees that may be paid for services performed by any affiliate of the independent public accountants;
 - (d) to approve the independent public accountants' proposed audit scope and approach;
 - (e) to review with the independent public accountants and, as the Committee deems appropriate, with management, the annual audit, the management letter and management's responses to the letter, any other material written communications between the independent public accountants and management, including any such communications required by applicable professional standards, and any other matters the Committee may deem appropriate;
 - (f) to resolve any disagreements between management and the independent public accountants concerning financial reporting;
 - (g) to review with the independent public accountants any audit problems or difficulties and management's response;
 - (h) to obtain and review, at least annually, a formal written statement by the independent public accountants delineating all relationships between the independent public accountants and Freddie Mac, to discuss with the independent public accountants any disclosed relationships or services that may affect the objectivity and independence of the independent public accountants and to take appropriate action in response to the independent public accountants' statement to satisfy itself as to the continuing independence of the independent public accountants; and
 - (i) to obtain and review, at least annually, a report by the independent public accountants describing the firm's internal quality-control procedures and any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry, investigation or inspection by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues.
3. To approve and review compliance with a policy concerning the hiring by Freddie Mac of current or former employees of the independent public accountants.

4. To approve and review compliance with a policy concerning the retention by Freddie Mac of accounting firms other than the independent public accountants.
5. To oversee the integrity of Freddie Mac's financial statements and disclosure, including:
 - (a) to review, with the independent public accountants and the Executive Vice President — Finance and Chief Financial Officer, the impact of any significant accounting, financial reporting or federal income tax financial reporting matters, changes or disputes affecting Freddie Mac's financial statements (including critical accounting policies, which include management judgments and estimates, and alternative accounting treatments);
 - (b) to review, with the independent public accountants and the Executive Vice President — Finance and Chief Financial Officer, drafts of Freddie Mac's quarterly condensed financial statements and annual financial statements, including Management's Discussion and Analysis of Financial Condition and Results of Operations, and, if appropriate, to recommend to the Board that the audited annual financial statements be included in the Annual Report to Shareholders;
 - (c) to review other significant Freddie Mac financial disclosure matters as identified by the Executive Vice President — Finance and Chief Financial Officer;
 - (d) to review with the Executive Vice President — Finance and Chief Financial Officer drafts of Freddie Mac's earnings press releases and the types of information to be disclosed, and the types of presentations to be made, in any earnings guidance provided to analysts and rating agencies; and
 - (e) to review, with the Executive Vice President — Finance and Chief Financial Officer: the adequacy of Freddie Mac's disclosure controls and procedures, including internal controls over financial reporting; any significant findings or recommendations by the independent public accountants or the Senior Vice President — General Auditor with respect to those controls; and management's responses to any such findings or recommendations.
6. To prepare the Committee's report for inclusion in Freddie Mac's annual proxy statement, in accordance with applicable regulatory requirements.
7. To review the annual reports of examination of the Office of Federal Housing Enterprise Oversight regarding the safety and soundness of Freddie Mac, and the findings and conclusions of any investigations of Freddie Mac or its operations produced by any governmental entity.
8. To assist Board oversight of Freddie Mac's compliance with legal and regulatory requirements, including by:
 - (a) reviewing with the Senior Vice President — Chief Compliance Officer Freddie Mac's compliance with legal and regulatory requirements and to meet at least annually with the Senior Vice President — Chief Compliance Officer in executive session;
 - (b) adopting and maintaining procedures for the submission, receipt, retention and treatment of complaints concerning accounting, internal accounting controls or auditing matters (including confidential, anonymous complaints by employees), or such other complaints as may come before the Committee, and overseeing the submission and resolution of such complaints;

- (c) taking action, as the Committee deems appropriate, to investigate and respond to any report by an attorney of evidence of a material violation of federal or state securities law, material breach of fiduciary duty or other similar violation of federal or state law;
 - (d) obtaining from the Senior Vice President — Chief Compliance Officer, the internal auditors, outside counsel, or any other internal or external party who investigates any complaint or report as specified in (b) or (c) above, a report concerning the issues, status and resolution of the complaint or report; and
 - (e) reviewing, at least annually, Freddie Mac’s compliance with capital and reporting requirements of the Office of Federal Housing Enterprise Oversight.
9. To review with Freddie Mac’s Senior Vice President — General Counsel, at least annually, the status of litigation in which Freddie Mac is involved, with such review to be more frequent in the case of litigation which is expected to have a significant impact on Freddie Mac’s financial statements.
10. To oversee management’s development and implementation of systems and programs for the detection and prevention of fraud.
11. To review, with the Executive Vice President — Finance and Chief Financial Officer, the Senior Vice President — Chief Enterprise Risk Officer, and other members of management, as appropriate, management’s policies, guidelines and processes with respect to the assessment and management of Freddie Mac’s market, credit and operational risk exposures.
12. With respect to the Corporation’s Codes of Conduct:
- (a) to approve material amendments to the Code of Conduct for Freddie Mac Employees (the “Employee Code”) and to report to the Board at least annually on such amendments;
 - (b) to recommend to the Board, as may be appropriate, changes to the Code of Conduct for Members of Freddie Mac’s Board of Directors (the “Director Code”); and
 - (c) to review any significant violations of the Employee Code and the Director Code that have been communicated to the Committee by the Chief Compliance Officer.
13. To review, at least annually, under the oversight of the Governance and Nominating Committee, this Committee’s performance, including review of its structure and operations (including authority to delegate to subcommittees), its process for reporting to the Board, and the process for determining the membership of the Committee, including qualifications for Committee membership.
14. To review and reassess the adequacy of the Committee’s Charter on an annual basis and recommend any changes to the Board for approval.
15. To perform such other duties as may from time to time be assigned by the Board or requested by the Board’s Chairman or the Lead Director.