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

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 50^{th} 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.

		Annual Compensation			Long-Term Compensation		
Name and Principal Position	Fiscal Year	Salary[1]	Bonus[2]	Other Annual Compensation[3]	Restricted Stock Unit Awards[4]	Securities Underlying Options (#)	All Other Compensation[5][7]
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

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.

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.

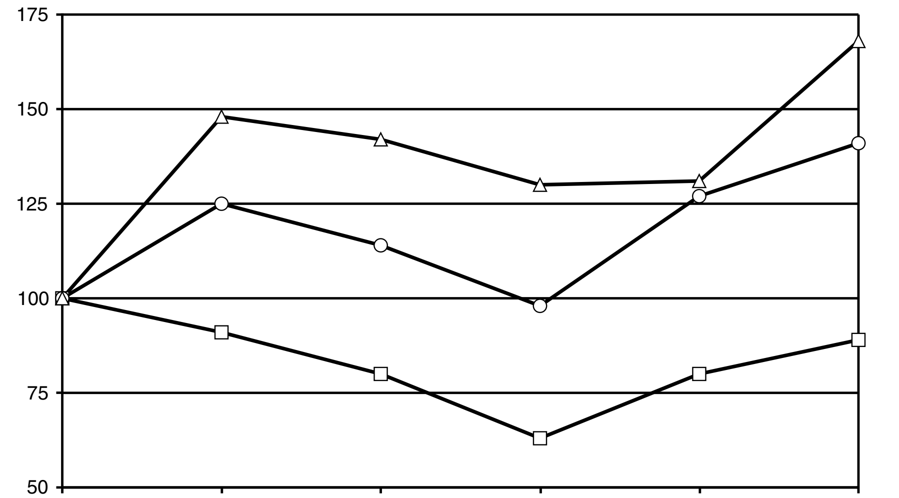
Name	Shares Acquired on Exercise (number of shares)	Value Realized	Number of Securities Underlying Unexercised Options at December 31, 2004 *Exercisable / Unexercisable*	Value of Unexercised In-the-Money Options at December 31, 2004(1) *Exercisable / Unexercisable*
Richard F. Syron	0	$0	0/166,580	$0/$1,560,022
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



	12/31/1999	12/31/2000	12/31/2001	12/31/2002	12/31/2003	12/31/2004
Freddie Mac	100	148	142	130	131	168
S&P 500 Financials	100	125	114	98	127	141
S&P 500	100	91	80	63	80	89

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 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.

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.