



We make home possible™

Freddie Mac  
8200 Jones Branch Drive  
McLean, Virginia 22102

## TO THE STOCKHOLDERS OF FREDDIE MAC

July 12, 2006

Dear Freddie Mac Stockholder:

We are pleased to invite you to attend Freddie Mac's annual stockholders' meeting to be held on Friday, September 8, 2006, at 9:00 a.m. 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 July 12, 2006.

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, September 8, 2006, at 9:00 a.m. 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 by the Audit Committee of our Board of Directors of PricewaterhouseCoopers LLP as our independent auditors for the fiscal year ending December 31, 2006;
- (3) voting on a proposal submitted by a stockholder; and
- (4) transacting any other business that may properly come before the meeting or any adjournment thereof.

#### RECORD DATE

June 30, 2006 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 "Annual Meeting Admission" below).

#### WHO MAY ATTEND THE MEETING

Attendance is limited to stockholders, including persons holding proxies from stockholders, and one guest each. Invited representatives of the media may attend the meeting.

#### ANNUAL MEETING ADMISSION

Registration begins at 8:00 a.m. A valid photo identification and proof of stock ownership must be presented in order to attend 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. If you hold Freddie Mac stock in the name of a broker, trust, bank or other nominee ("street name"), you must bring a copy of an account statement reflecting your stock ownership as of the record date. If you plan to attend as the proxy of a stockholder, you must present valid proof of proxy. Cameras, recording devices and other electronic devices are not permitted at the meeting.

#### 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.freddie.mac.com/investors> at 9:00 a.m. on Friday, September 8, 2006. 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 "Annual Meeting Admission" 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 and **“AGAINST”** the stockholder proposal.

Your vote is important. Please vote your proxy promptly so your shares can be represented at the annual meeting, even if you plan to attend the annual 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, Computershare Trust Company N.A., must receive any proxy that will not be delivered in person to the annual meeting by 11:59 p.m., eastern time, on Thursday, September 7, 2006.**

**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 annual meeting.**

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

By Order of the Board of Directors,



Robert E. Bostrom  
*Executive Vice President, General Counsel and  
Corporate Secretary*

Dated: July 12, 2006  
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 September 8, 2006.

### What am I voting on?

You will be voting on the following three items:

- election of 13 members to the Board (see page 11);
- ratification of the appointment of PricewaterhouseCoopers LLP, or PricewaterhouseCoopers, by the Audit Committee of our Board of Directors as our independent auditors for the fiscal year ending December 31, 2006 (see page 51); and
- a proposal submitted by a stockholder (see page 53).

The Board is not aware of any other matters to be presented for a vote at the annual 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 June 30, 2006, the record date, are entitled to vote at the annual meeting. As of June 12, 2006, there were 691,326,563 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 your shares.

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.

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*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 annual meeting?**

Your shares are counted as present at the annual 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 June 30, 2006 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 annual meeting. See “Will my shares be voted if I do not return my proxy or attend the annual meeting?” below for more information on voting by brokers and nominees. 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 your 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, 2006 and the adoption of the stockholder proposal each requires a majority of the votes cast at the meeting to be voted “for” such proposal. A properly executed proxy marked “abstain” with respect to either proposal will not be counted as a vote cast for such proposal.

**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, 2005 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, 2006, Capital Research and Management Company, 333 South Hope Street, 55<sup>th</sup> Floor, Los Angeles, CA 90071-1447, beneficially owned 62,220,000 shares, or 9.0%, 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*

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**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 votes will have access to your proxy card, ballot, telephone vote or Internet vote.

**Who will count the vote?**

Representatives of Computershare Trust Company, N.A., 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 on certain types of proposals 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 2006 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.” The stockholder proposal is not considered a routine matter under NYSE rules.

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” the proposals to be acted on at the annual meeting.

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, 2006;
- “against” the stockholder proposal included in these proxy materials;
- in accordance with the recommendation of the Board on any other stockholder proposal; and
- in accordance with the best judgment of the named proxies on any other matters properly brought before the meeting.

**Can I get Freddie Mac’s proxy materials delivered to me electronically next year?**

Yes. If you vote electronically via the Internet, and hold your shares in street name, you may consent to electronic delivery of future Freddie Mac proxy statements, proxy cards and annual reports by responding affirmatively to the request for your consent when prompted. See “How do I sign up to receive proxy materials electronically?” below for additional information.

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*About the Meeting*

We encourage you to consent to electronic delivery because it will save Freddie Mac a portion of the costs associated with printing and mailing our proxy materials and annual reports. If you consent and Freddie Mac delivers some or all of its future annual meeting materials to you by electronic mail or by posting materials to the Internet, you will not receive paper copies of these materials through the mail unless you request them from Freddie Mac.

### **How do I sign up to receive proxy materials electronically?**

If you hold shares in street name, you may submit your consent to electronic delivery at [www.freddiemac.com/investors/ar/edelivery.html](http://www.freddiemac.com/investors/ar/edelivery.html). Your consent will be effective until you revoke it.

By consenting to electronic delivery, you are stating to Freddie Mac that you currently have access to the Internet and expect to have access in the future. If you do not have access to the Internet, or do not expect to have access in the future, please do not consent to electronic delivery, because Freddie Mac may rely on your consent and not deliver paper copies of future annual meeting materials. In addition, if you consent to electronic delivery, you will be responsible for any Internet charges (e.g., online fees) in connection with the electronic delivery of the proxy materials and annual report.

### **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 listing standards of the exchanges on which our securities are registered, including the NYSE and the Pacific Stock Exchange.

### Corporate Governance Guidelines

In June 2006, the Board adopted revised Corporate Governance Guidelines, or the Guidelines, which are attached as Appendix A and are available on our Website at [www.freddiemac.com/governance/pdf/gov\\_guidelines.pdf](http://www.freddiemac.com/governance/pdf/gov_guidelines.pdf). 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 non-employee members of the Board have determined that:

- With the exception of Richard F. Syron and Eugene M. McQuade, neither any member of the Board standing for election nor any nominee has a material relationship with Freddie Mac and all such members of the Board and nominees are independent within the meaning of both Section 303A.02 of the NYSE listing standards and the independence criteria set forth in Section 5 of our Guidelines.
- All current members of the Audit Committee, the Compensation and Human Resources Committee, or the CHRC, and the Governance, Nominating and Risk Oversight Committee, or the GNROC, are, and members of the Board to be appointed to those committees effective September 8, 2006 will be, independent within the meaning of Section 303A.02 of the NYSE listing standards and Sections 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 September 8, 2006 also will be, independent within the meaning of Rule 10A-3 promulgated under the Securities Exchange Act of 1934, as amended, 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, and Mr. McQuade is President and Chief Operating Officer of Freddie Mac. Because Messrs. Syron and McQuade are each employees of Freddie Mac, neither 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 previously determined that the interests of Freddie Mac and its stockholders strongly support a transition period of service for directors who had served on the Board for more than ten years at the time the Guidelines were adopted, and would otherwise be required to leave the Board following the expiration of their current term. In particular, the Board has determined that Ronald F. Poe may be renominated for no more than one additional term beginning in September 2006. OFHEO has granted a waiver of the term limit provisions of its corporate governance regulations to permit Mr. Poe to be renominated for such additional term.

William J. Turner, the only other director who has served on the Board for more than ten years, has not been nominated for reelection.

### **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 requirements of Rule 10A-3 promulgated under the Exchange Act and Section 303A.06 of the NYSE listed company manual. The current 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. 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. 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](http://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 has 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 and Separation Agreements — *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 and Separation Agreements — *Eugene M. McQuade*” below.

### **Lead Director**

The non-employee 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 non-employee directors. The Lead Director is elected annually by a majority of the non-employee directors at the Board meeting following the annual 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](http://www.freddiemac.com) for more information on our Board and how to contact our Board members.

### **Stock Ownership by Directors, Executive Officers and Greater than 5% Holders**

We expect our directors and officers to own our common stock. A significant portion of director and executive compensation is paid in common stock, as described in greater detail in “Proposal 1: Election of Directors — Board Compensation” and “Report of the CHRC on Executive Compensation” below.

Effective as of January 31, 2006, we expect our Chief Executive Officer and our President and Chief Operating Officer to own, within four years of such officer’s date of hire or promotion, as

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

- retains all Freddie Mac stock the officer owned as of January 31, 2006;
- retains all restricted stock units (net of shares withheld for taxes) for which the restrictions have lapsed; and
- retains all restricted stock units (net of shares withheld for taxes) for which the restrictions lapse in the future.

For information on our stock ownership requirements for non-employee directors, see "Proposal 1: Election of Directors — Board Compensation — *Stock Ownership Guidelines*" below. We believe that stock ownership by our directors and executive officers aligns their interests with the long-term 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 June 1, 2006 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 June 1, 2006, 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 June 1, 2006**

Name	Position	Common Stock Beneficially Owned Excluding Stock Options*	Stock Options Exercisable Within 60 Days of June 1, 2006	Total Common Stock Beneficially Owned*
Barbara T. Alexander	Director	400	907	1,307
Martin F. Baumann	Former EVP — Finance and Chief Financial Officer	7,479 <sup>(1)</sup>	38,807	46,286
Geoffrey T. Boisi	Director	613	907	1,520
Patricia L. Cook	EVP — Investments & Capital Markets	7,369	14,042	21,411
Michelle Engler	Director	6,580 <sup>(2)</sup>	4,494	11,074
Robert R. Glauber	Director nominee	0	0	0
Richard Karl Goeltz	Director	4,632 <sup>(3)</sup>	3,712	8,344
Thomas S. Johnson	Director	6,191 <sup>(4)</sup>	2,036	8,227
William M. Lewis, Jr.	Director	2,318 <sup>(5)</sup>	907	3,225
Eugene M. McQuade	President and Chief Operating Officer; Director	25,677	28,192	53,869
Shaun F. O'Malley	Lead Director	4,046 <sup>(6)</sup>	4,754	8,800
Jeffrey M. Peek	Director	388	0	388
Ronald F. Poe	Director	70,162 <sup>(7)</sup>	21,143	91,305
Stephen A. Ross	Director	17,157 <sup>(8)</sup>	10,638	27,795
Joseph A. Smialowski	EVP — Operations and Technology	4,960	7,050	12,010
Richard F. Syron	Chairman of the Board and Chief Executive Officer	96,995	124,637	221,632
William J. Turner**	Director	3,727	8,561	12,288
All directors and executive officers as a group (28 persons) <sup>(10)</sup>		306,971 <sup>(9)</sup>	336,384	643,355

**5% Holder\*\*\***

Capital Research & Management Company  
 333 South Hope Street, 55<sup>th</sup> Floor  
 Los Angeles, CA 90071-1447

**Common Stock Beneficially Owned**

62,220,000<sup>(11)</sup>

**Percent of Class**

9.0%

\* Includes shares of stock beneficially owned as of June 1, 2006. Also includes restricted stock units vesting within 60 days of June 1, 2006. A restricted stock unit represents a conditional contractual right to receive one share of Freddie Mac common stock 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 units have dividend equivalent rights that entitle the grantee to dividend equivalents on each share of common stock subject to the grant in the amount of dividends per share payable on our outstanding shares of common stock. For non-employee directors, (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 the date of this annual meeting.

\*\* Not nominated for 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) Figures are based on our records as of June 1, 2006.
- (2) Includes 2,014 restricted stock units and 115 dividend equivalents on restricted stock units.
- (3) Includes 1,608 restricted stock units and 43 dividend equivalents on restricted stock units.
- (4) Includes 882 restricted stock units and 17 dividend equivalents on restricted stock units.
- (5) Includes 393 restricted stock units and 7 dividend equivalents on restricted stock units.
- (6) Includes 2,345 restricted stock units and 121 dividend equivalents on restricted stock units.
- (7) Includes 1,230 restricted stock units and 45 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.
- (8) Includes 3,857 restricted stock units and 337 dividend equivalents on restricted stock units.
- (9) Includes 20,034 restricted stock units and 685 dividend equivalents on restricted stock units.
- (10) In addition to the persons shown in the table, this group includes our Executive Vice President — General Counsel and Corporate Secretary; our Executive Vice President — Community Relations; our Executive Vice President — Human Resources; our Senior Vice President — General Auditor; our Senior Vice President — Corporate Controller and Principal Accounting Officer; and all of our Senior Vice Presidents who reported directly to the Chairman and Chief Executive Officer or the President and Chief Operating Officer as of June 1, 2006.
- (11) Based on a review of beneficial ownership reports as of December 31, 2005 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, 2006, Capital Research & Management Company, 333 South Hope Street, 55<sup>th</sup> Floor, Los Angeles, CA 90071-1447, beneficially owned 62,220,000 shares, with sole voting power as to zero shares and sole dispositive power as to 62,220,000 shares.

## PROPOSAL 1: ELECTION OF DIRECTORS

### Director Nomination Process

Under its charter, the GNROC 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 GNROC comprises the following five directors, each of whom is independent under the Guidelines and the NYSE listing standards: Messrs. Boisi, Goeltz, O'Malley (Chair), Poe and Ross.

The GNROC 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 GNROC through several different means, including recommendations from Board members, senior management or professional search firms, stockholder nominations and other sources.

The GNROC 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 June 1, 2006, the deadline for stockholder nominations of candidates for election as directors is July 20, 2006. As of the date of this proxy statement, we have not received any stockholder nominations of candidates for election as directors for this annual meeting. For information on what must be included in the written notice to nominate a candidate for election at the next annual meeting of stockholders, 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, candidates 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. These independence standards incorporate the independence standards set forth in the NYSE listed company manual. See "Corporate Governance Guidelines" above and Appendix A attached to this Proxy Statement.

Stockholder nominees to the Board will be evaluated by the GNROC 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 Mr. Peek, who was appointed to the Board effective January 1, 2006 to fill a vacancy, and Mr. Glauber, who is being nominated for election to the Board for the first time at this meeting, each of the persons named below is nominated for reelection at this meeting. Messrs. Peek and Glauber were identified as potential candidates by a third-party search firm retained to assist the GNROC in its search for possible director candidates. The evaluation of the suitability of Messrs. Peek and Glauber as directors of Freddie Mac was performed by the GNROC.

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. Each of the eleven nominees for reelection to the Board attended the July 15, 2005 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 57

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 Centex Corporation 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 and a member of the board of directors of HomeAid America.



**GEOFFREY T. BOISI**

Director since 2004

Age 59

Mr. Boisi has been Chairman and Senior Partner of Roundtable Investment Partners LLC, a private investment management firm, since March 2005. 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.



**MICHELLE ENGLER**

Director since 2001

Age 48

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/NY 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.



**ROBERT R. GLAUBER**

Nominee

Age 67

Mr. Glauber has been Chairman and Chief Executive Officer of the NASD since September 2001, after becoming its CEO and President in November 2000, and has announced his retirement from the NASD, effective later this year. He has been a member of the NASD Board since 1996. Prior to joining the NASD, he was a lecturer at the John F. Kennedy School of Government at Harvard University from 1992 until 2000, Under Secretary of the Treasury for Finance from 1989 to 1992 and, prior to that, was a Professor of Finance at the Harvard Business School. Mr. Glauber previously served on the boards of the Federal Reserve Bank of Boston, a number of Dreyfus mutual funds and the Investment Company Institute. Mr. Glauber also is a director of Moody's Corporation.



**RICHARD KARL GOELTZ**

Director since 2003

Age 63

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 Chair 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 65

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 50

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 57

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 71

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 Board of Directors of Horace Mann Educators Corporation, where he is chair of its Audit Committee, and on the Board of Directors of Philadelphia Consolidated Holding Corp., which does business as Philadelphia Insurance Companies, where he is a member of the Governance and Nominating Committee and the Compensation Committee.



**JEFFREY M. PEEK**

Director since 2006

Age 59

Mr. Peek is Chairman and Chief Executive Officer of CIT Group Inc., a provider of commercial and consumer finance solutions. Mr. Peek has served as Chief Executive Officer of CIT since July 2004 and as Chairman since January 2005. He has served as a director of CIT since September 2003, and previously served as President of CIT from September 2003 until January 2005 and Chief Operating Officer of CIT from September 2003 until July 2004. Prior to that, he served as Vice Chairman of Credit Suisse First Boston LLC from 2002 to 2003. Mr. Peek spent a large part of his career at Merrill Lynch & Co., Inc. from 1983 until 2001. He served in a variety of leadership positions at Merrill Lynch, including Executive Vice President of Merrill Lynch, co-head of Investment Banking, and President of Merrill Lynch Investment Managers.



**RONALD F. POE**

Director since 1990

Age 67

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 62

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 is a member of the Board of Trustees of the California Institute of Technology.



**RICHARD F. SYRON**

Director since 2003

Age 62

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. Mr. Syron also is a director of Genzyme Corporation.

### **Meetings of the Board and Committees**

The Board met 10 times in 2005 and four times during the period from January 1, 2006 through June 1, 2006. During 2005, 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 non-employee directors met regularly in executive session without management.

The five current standing Board committees are the Audit Committee, the CHRC, the Finance and Capital Deployment Committee, the GNROC and the Mission and Sourcing Committee. The committee charters of each of the five current standing committees were revised in June 2006 and are available on our Website at [www.freddiemac.com](http://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 (the “SDLC”) was created by the Board in December 2003 to investigate allegations and claims made in stockholder derivative litigation on behalf of stockholders against certain current and former 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.

The membership of current Board members on each committee, along with the number of times each committee met in 2005 and during the period January 1, 2006 through June 1, 2006, is shown in the table below.

**COMMITTEES OF THE BOARD OF DIRECTORS AND MEETINGS THEREOF IN 2005  
AND DURING THE PERIOD JANUARY 1, 2006 THROUGH JUNE 1, 2006**

<u>Director</u>	<u>Audit</u>	<u>CHRC</u>	<u>Finance and Capital Deployment</u>	<u>GNROC</u>	<u>Mission and Sourcing</u>	<u>SDLC</u>
B. Alexander			✓		✓	
G. Boisi		Chair		✓	✓	
M. Engler		✓			✓	Chair
R. Goeltz	Chair		✓	✓		
T. Johnson	✓	✓				✓
W. Lewis			✓		✓	
E. McQuade <sup>(1)</sup>						
S. O'Malley	✓	✓		Chair		
J. Peek			✓		✓	
R. Poe		✓		✓	Chair	
S. Ross	✓		Chair	✓		✓
R. Syron <sup>(1)</sup>						
W. Turner	✓		✓			
2005 Meetings	16 <sup>(2)</sup>	9	7 <sup>(2)</sup>	9	6	7
2006 Meetings <sup>(3)</sup>	6	4	4	4	4	2

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

(2) Includes one joint meeting of the Audit Committee and the Finance and Capital Deployment Committee.

(3) January 1, 2006 through June 1, 2006.

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, 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 and guidelines governing the processes for assessing and managing Freddie Mac's risks; to meet in joint session with the Finance and Capital Deployment Committee to review Freddie Mac's major financial risk exposures and the steps management has taken to monitor and control such 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 decide whether to retain our Senior Vice President — General Auditor; and to assess the effectiveness of the internal auditors. The committee also conducts an annual evaluation of the committee's performance, including its oversight responsibilities described above.

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*Proposal 1: Election of Directors*

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: in consultation with senior management, to approve Freddie Mac's executive compensation philosophy; to approve the compensation of Freddie Mac's executive officers, including approving the goals and objectives relevant to determining the compensation of the CEO, evaluating the CEO's performance in light of those goals and objectives and such other factors as the CHRC deems relevant, and using that evaluation for purposes of determining the CEO's compensation; to approve cash incentive plans for non-executive officers; to review, approve, amend and/or terminate any stock-based compensation or benefit plan and any retirement plan, including Freddie Mac's pension plan and thrift plan; to review the management of our human resources; to recommend outside director compensation; to review plans, policies and procedures for management succession; and to conduct an annual evaluation of the CHRC'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 on our common and preferred stock 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; to monitor enterprise risk metrics and limits; to meet in joint session with the Audit Committee to review Freddie Mac's major financial risk exposures and the steps management has taken to monitor and control such exposures; and to conduct an annual evaluation of the committee's performance.

*The GNROC'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 oversee corporate governance matters generally, including reviewing and recommending changes in our bylaws, our Guidelines, and the independence standards and qualifications for Board membership set forth in the Guidelines; 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 review and make recommendations concerning membership on Board committees and on committee structure and responsibilities; to oversee enterprise-wide risk management strategies and governance, to review major enterprise risk exposures and to review the capabilities for and adequacy of resources allocated to enterprise risk management; 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 GNROC'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, including relationships with customers; to monitor significant mortgage purchase transactions; to monitor the risks associated with our mortgage purchase activities; to monitor the implementation of OFHEO's Mortgage Fraud Policy Guidance; and to conduct an annual evaluation of the committee's performance.

*The SDLC'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 components of compensation for our non-employee directors are cash fees and stock awards that tie director compensation to the long-term value of Freddie Mac's common stock. 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 1995 Directors' Stock Compensation Plan (the "Directors' Plan"). We do not have any pension or retirement plans for our non-employee directors. Employee directors do not receive any compensation for their Board service.

Effective January 1, 2006, the Board approved changes to the stock compensation paid to our non-employee 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 2005.

## Non-Employee Director Compensation

	2006	2005
<b>Board Service</b>		
<u>Cash Compensation</u>		
Annual Retainer .....	\$ 60,000	\$ 60,000
Annual Supplemental Retainer for Lead Director.....	100,000	100,000
Per Meeting Fee .....	1,500	1,500
<u>Annual Equity Compensation<sup>(1)</sup></u>		
Stock Options .....	\$115,000	\$150,000
Restricted Stock Units .....	90,000	65,000
<hr/>		
<b>Committee Service (Cash)</b>		
Annual Retainer for Committee Chair (other than Audit) .....	\$ 10,000	\$ 10,000
Annual Retainer for Audit Committee Chair .....	20,000	20,000
Per Meeting Fee (other than Audit) .....	1,500	1,500
Per Meeting Fee for Audit Committee Members .....	2,500	2,500
Per Interview Fee for Director Recruiting .....	1,500	1,500
Per Interview Fee for Litigation-related Interviews <sup>(2)</sup> .....	1,500	1,500

- (1) The Board approved a revised policy under the Directors' Plan effective January 1, 2006. Under the revised policy, a newly elected or appointed non-employee director will receive, on the date of the first regularly scheduled Board meeting he or she attends, an initial grant of options to purchase Freddie Mac common stock with a value (based on the aggregate exercise price, which is equal to the fair market value of Freddie Mac common stock on the grant date multiplied by the number of shares in the option grant) of approximately \$115,000 and restricted stock units with a value (based on the fair market value of Freddie Mac common stock on the grant date) of approximately \$90,000. Thereafter, each non-employee director will receive, on the date of his or her reelection or reappointment, a grant of options to purchase Freddie Mac common stock with a value of approximately \$115,000 and restricted stock units with a value of approximately \$90,000. In addition, under the revised policy, dividend equivalents will no longer be granted in connection with awards of stock options to non-employee directors.
- (2) The Board approved payments of \$1,500, effective as of October 1, 2005, to directors sitting on the SDLC for each interview in which he or she participates that is conducted in connection with the business and affairs of the SDLC.

**Cash Compensation.** Annual cash retainers are paid in quarterly installments. The retainer paid to non-employee directors who are elected or appointed after the last annual stockholders' meeting is prorated based on the quarter in which they join the Board. Non-employee directors also are reimbursed for out-of-pocket costs of attending each meeting of the Board or any Board committee of which they are a member.

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 2005 and prior years, elections under the Directors' Deferred Compensation Plan, as well as elections under the Directors' 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.

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 2005, interest was credited at the rate of 6.25% based on the prime rate on January 3, 2005 of 5.25% plus 1%. In 2006, interest is being credited at a rate of 8.25% based on the prime rate on January 3, 2006 of 7.25% plus 1%.

Deferred compensation to be settled in stock is credited with additional deferred stock, the number of shares of which is determined as if dividend equivalents on the deferred compensation to be settled in stock had been reinvested in shares of Freddie Mac common stock, as dividends are declared and paid on our common stock.

Subject to earlier payment in the event of 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, non-employee director compensation should be weighted toward stock-based compensation to enhance alignment with stockholder interests, with either restricted stock units or other stock-based compensation constituting approximately 50% of total compensation. Typically, therefore, equity compensation constitutes approximately half of the economic value of total non-employee director compensation.

The exercise price of options granted to our non-employee directors 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 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 grant date. "Date of grant" or "grant date" is the date as of which the grant of stock-based compensation is effective. 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.

The stock options granted to our non-employee directors have had dividend equivalent rights on each share underlying the option equal to the dividend per share declared and paid on our issued and outstanding shares of common stock. For stock options vested as of December 31, 2004, dividend equivalents are accrued and are payable in cash upon exercise or expiration of the option. 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. In response to Internal Revenue Code Section 409A, which was added by the Jobs Act, the Board on November 30, 2005 approved a modification of the terms of certain outstanding stock options granted to members of the Board under the Directors' Plan in order to bring the terms of these stock options into compliance with Internal Revenue Code Section 409A. As a result, the terms of any stock option grant or portion thereof outstanding as of December 31, 2005 that was not vested as of December 31, 2004 (including stock options granted in 2005) were modified to remove the prior existing provisions regarding accrual of dividend equivalents. Dividend equivalents accrued through December 31, 2005 with respect to such stock options were distributed in a lump sum, and, thereafter, dividend equivalents with respect to such stock options will not accrue, but are being distributed as soon as practicable. In addition, under the revised policy under the Directors' Plan, dividend equivalents will no longer be granted in connection with awards of stock options to non-employee directors.

Dividend equivalents on restricted stock units granted to our non-employee directors 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, non-employee directors generally are expected to hold an investment of at least three times the annual Board retainer in our common stock within five years after joining the Board, unless the CHRC determines that it is unduly burdensome for a director to make such an investment. Because the current Board retainer is \$60,000, non-employee directors are expected to hold an investment of at least \$180,000. 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 2005 were officers or employees of Freddie Mac at any time during fiscal 2005, or at any other time. During fiscal 2005, no member of the CHRC was an executive officer of another entity on whose compensation committee or board of directors an executive officer of Freddie Mac served, or had any relationship otherwise requiring disclosure hereunder.

### **Transactions with Institutions Related to Directors**

In the ordinary course of business, we were a party during 2005, and expect to continue to be a party during 2006, 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 by SEC registrants under rules promulgated by the SEC are described below.

In October 2001, Freddie Mac purchased a revolving credit facility, which was initially secured by certain multifamily properties in New York City. A subsidiary of CIT, of which Mr. Peek is Chairman and Chief Executive Officer, was a 50% limited partner in the borrower. The credit facility could be drawn on in multiple tranches and was initially funded in the amount of approximately \$133 million in October 2001. In July 2002, the borrower exercised its option to expand the credit facility to approximately \$157 million. The principal was repaid in January 2005 in a single payment of approximately \$157 million and the credit facility was terminated at that time. The credit facility bore interest at a floating rate based on the 1-month Freddie Mac Reference Bill® Index. Freddie Mac Reference Bills® securities are short-term debt obligations of Freddie Mac that we auction to dealers on a regular schedule. At the time the credit facility was repaid, the borrower had multiple tranches outstanding, bearing interest rates of 2.774% and 5.25%

### **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 GNROC 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 GNROC over, the reimbursement of reasonable fees and expenses (including legal fees) incurred by certain of our current or former directors, officers and employees who are interviewed or who provide testimony in certain 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 GNROC has hired special outside counsel to make advancement and reimbursement determinations. 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 \$37.1 million of advancements and reimbursements through June 1, 2006 for all current and former directors, officers and employees. We anticipate continuing to make additional advancements as provided for under our bylaws and to provide reimbursements to information witnesses in the remainder of 2006.