

A Transparent View of Freddie Mac:
2008 Investor/Analyst Conference



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Opening Remarks from the Chairman and CEO

Dick Syron

Chairman and Chief Executive Officer

- Historic housing downturn; extraordinary market and economic environment.
- Freddie Mac's response decisive and prudent – including capital raise, improvements on price and credit, cautious assumptions about downturn, as well as enhanced financial reporting.
- Book of business remains among best in industry.
- Market coming back to GSEs in both volume and quality.
- Priorities include prudent capital management; prices and credit aligned with risk; G&A reductions; intensified focus on execution.
- Strategy is to leverage strengths during downturn to be strong, successful competitor for the long term.



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Chief Financial Officer Opening Remarks

Buddy Piszal

Chief Financial Officer and Executive Vice President

(\$ Billions)		Estimated Regulatory Core Capital	Estimated Excess Surplus
1	As previously reported at 9/30/2007	\$ 34.6	\$ 0.6
2	Impact of GAAP changes in accounting methods at 9/30/2007	-	0.3
3	Impact of fourth quarter 2007 preferred stock issuance	6.0	6.0
4	Impact of fourth quarter 2007 financial results	(2.7)	(3.4)
5	As of 12/31/2007	\$ 37.9	\$ 3.5
6	Impact of adoption of fair value option at 1/1/2008	\$ 1.0	\$ 1.0
7	Pro forma to reflect adoption of fair value option at 1/1/2008	\$ 38.9	\$ 4.5

Update from 4Q07 conference call:

- Impact of credit marks has been greatly reduced relative to 2007.
- Impact of GA volatility is reduced by adopting fair value option.



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Chief Business Officer Remarks

Patti Cook

Chief Business Officer and Executive Vice President

- Freddie Mac's market share has improved, and should remain strong for the foreseeable future.
- Freddie Mac's asset quality is high by industry standards, and is beginning to improve with new business volumes.
- Freddie Mac's spreads and pricing on new business are significantly better than the recent past.
- Freddie Mac's strong credit, interest-rate and counterparty risk management practices should help us through this downturn.



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Multifamily Sourcing: Serving Customers & Our Mission

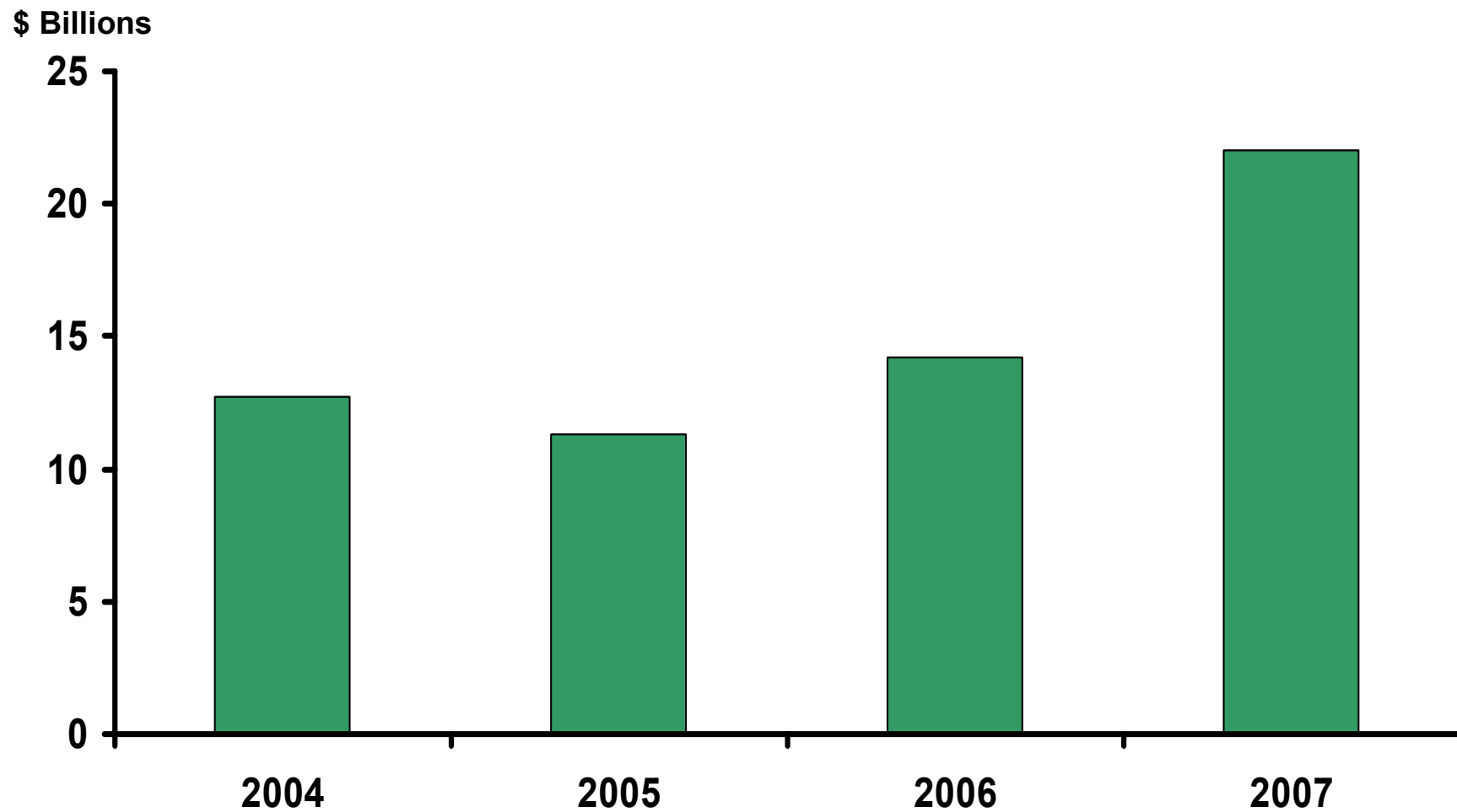
Mike May

Senior Vice President, Multifamily Sourcing

Multifamily sourcing business

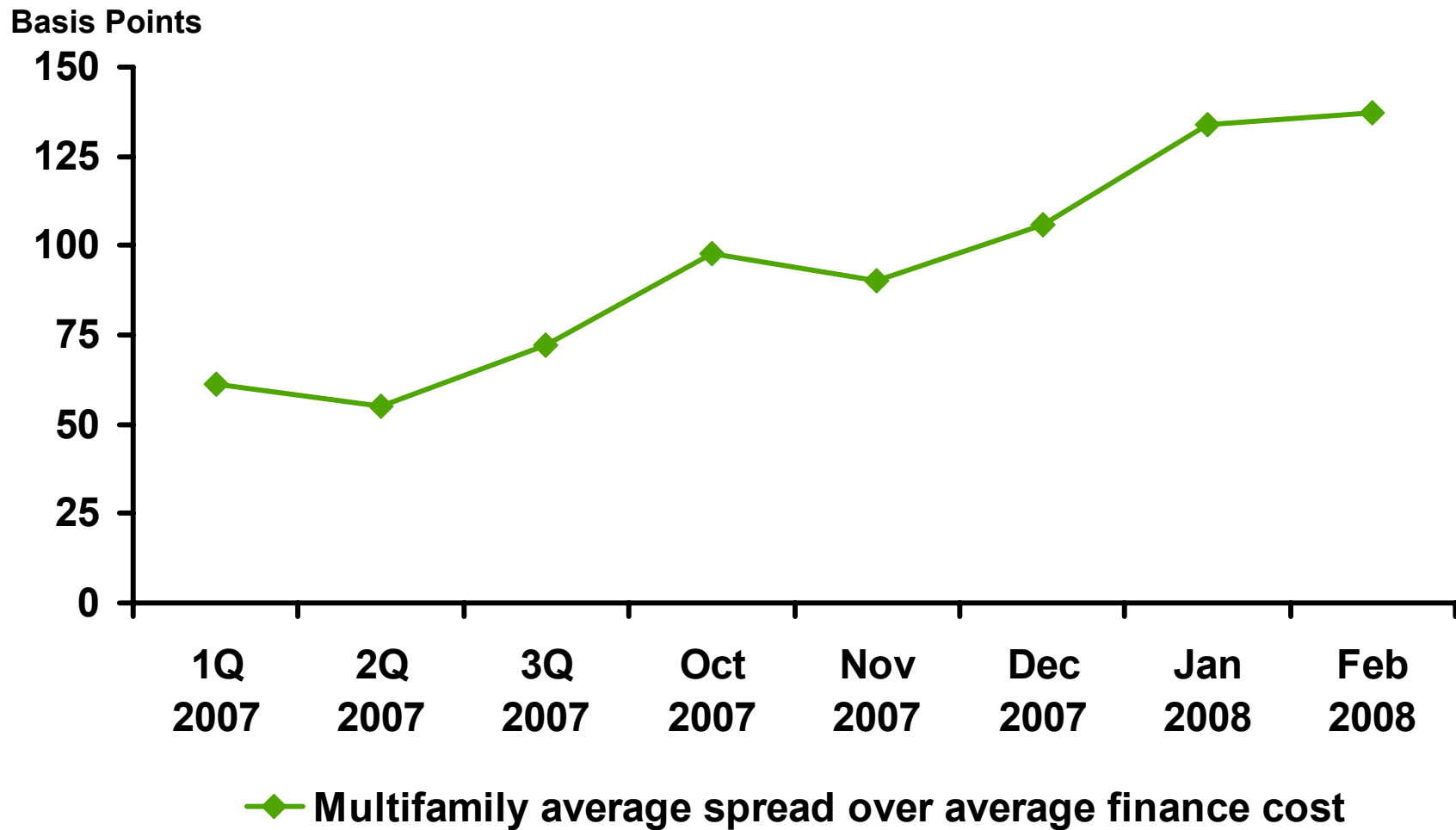
- Freddie Mac has become a stabilizing force in an unstable market.
- Competitors have been forced out of the market, making the GSEs one of the few providers of liquidity.
- Volumes are rising.
- We are posting strong results in financial returns and mission.
- We are currently implementing a plan that will protect our customer gains, even after competitors return to the market.

Mortgage purchases have increased



Note: Mortgage purchase volumes include retained and sold businesses.

We have raised spreads



Note: Rate-locked loans, all terms (exclusive of TEB, credit enhancements, NT loans not in cash program).

We are capitalizing on our gains

- Make our liquidity sustainable by appropriately pricing for risk
- Manage risk by tightening credit
- Build greater scale in the business
- Deliver more value to customers through products and process
- These actions will keep our competitive position strong even after others re-enter the market



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Single-Family Sourcing: Serving Customers & Our Mission

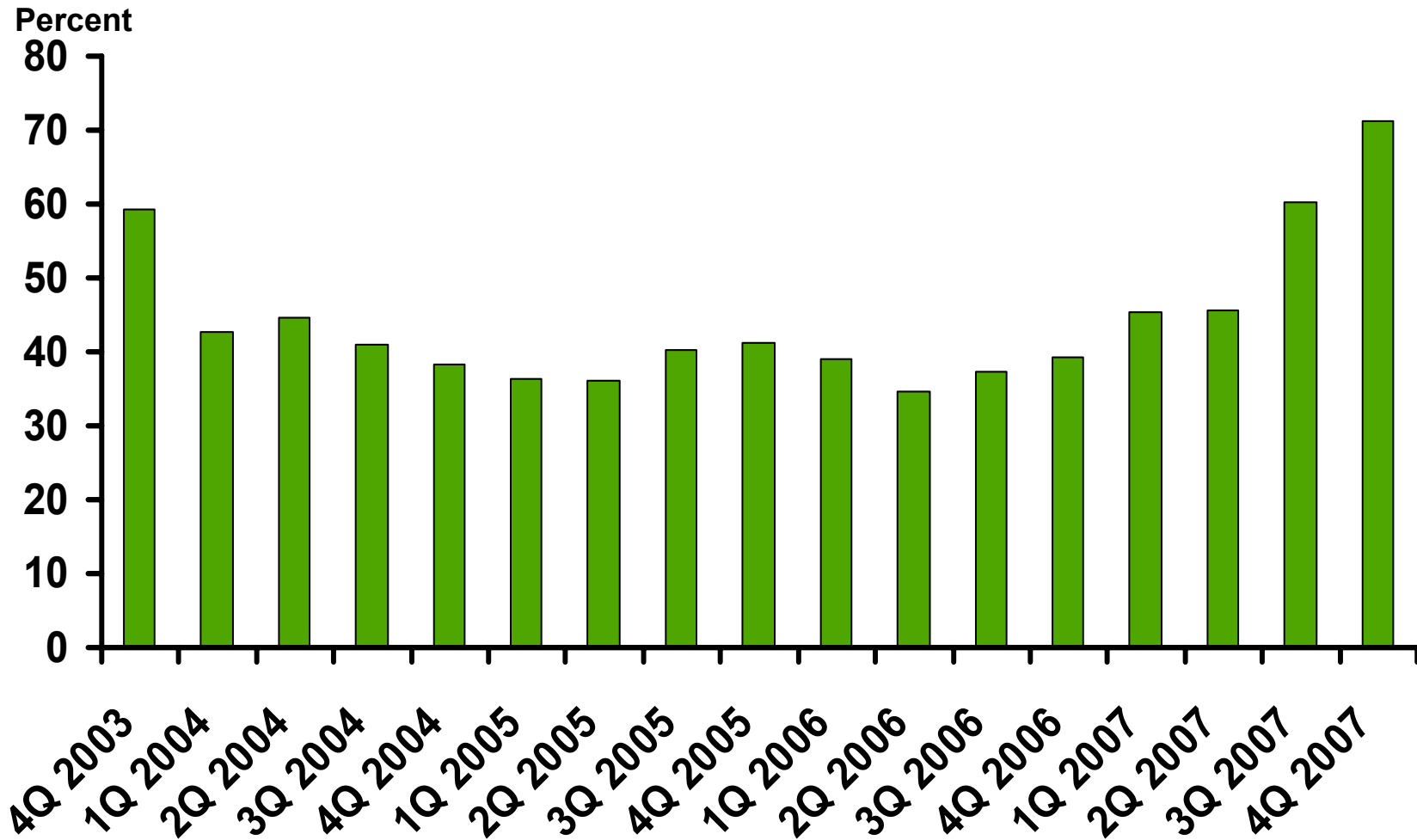
Paul Mullings

Senior Vice President, Single Family Sourcing

Single-family sourcing business

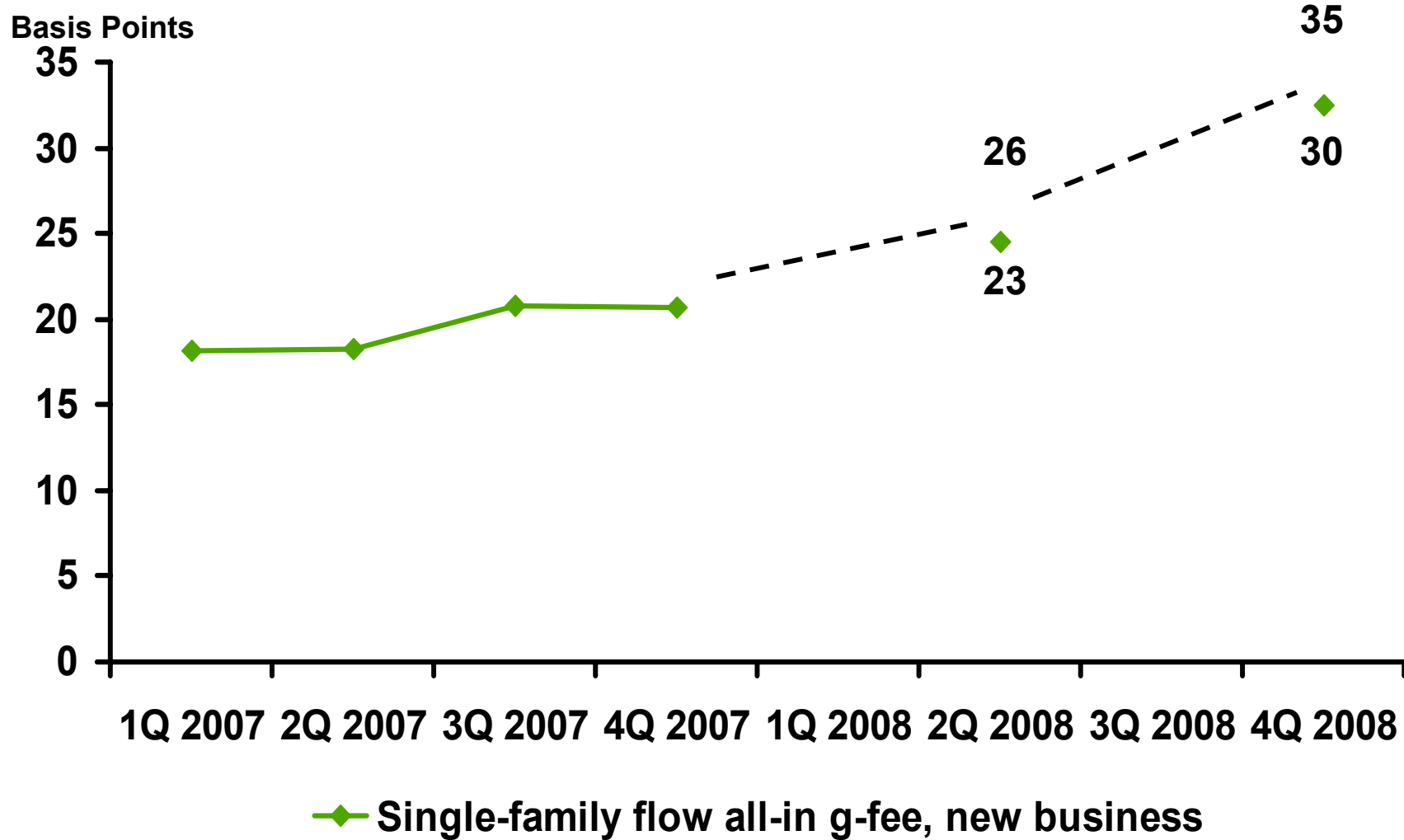
- The mortgage market has come back to the GSEs, who are demonstrating their staying power.
- However, house prices are deteriorating, and that's depressing single-family profitability.
- To address the greater risks in the market, we have raised prices and tightened credit on new business.
- We are working to solidify our gains with customers for the long run.

Total GSE market share has rebounded



Source: Inside Mortgage Finance.

We have raised prices



We are working to solidify our gains with customers

- Make our liquidity sustainable
 - » Risk-based pricing
 - » Conforming jumbo program
- Make it easier for every customer to do business with us
- Maintain an affordable focus



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Single-Family Credit

Peter Federico

Senior Vice President, Asset & Liability Management

Credit profile is beginning to show signs of improvement

		October 2007		
Worst Quintile Credit Characteristics		Peak	January 2008	Improvement
1	FICO <620	20%	15%	-5%
2	TLTV >90	39%	26%	-13%
3	Reduced documentation loans	22%	13%	-9%
4	% of loans with 2nd lien exposure	14%	0%	-14%

House prices have deteriorated more rapidly than initially expected

	Freddie Mac peak-to-trough HPA expectation
As of 3Q 2007 Release	-10%
Current	-15%

	Freddie Mac HPA experience 4Q 2007
Actual	-4% to -5%

- In response to the current environment, we have increased the expected decline in our median house price path to about 15 percent, peak-to-trough.

Note: All HPA numbers reflect value-weighted repeat sales index on conventional conforming loans.

Expected default costs have increased

(\$ Billions, present value)	3Q 2007	4Q 2007
Expected Future Default Costs	\$10 to \$12	\$12 to \$15

- There are three primary drivers of the increase in expected default costs:
 - » The portfolio grew in the 4th quarter
 - » The current LTV of the portfolio increased as house prices fell in 4Q07
 - » Our expectation of future house prices worsened

The market value of our guarantee obligation has increased

(\$ Billions)	Estimated Values As of	
	3Q 2007	4Q 2007
1 Guarantee Obligation (GO) Market Value	\$17	\$30
2 Total Credit Guarantee Portfolio	\$1,665	\$1,739
3 Market Value (as a percentage)	1.02%	1.73%

- There are three primary drivers of the increase in our GO
 - » The portfolio grew in 4Q07
 - » Expected default costs increased
 - » Risk premium increased

Charge-off outlook relative to LLR

	(\$ Billions)	As of 4Q 2007
1	2008 estimated charge-offs	\$1.7
2	LLR	\$2.8
3	LLR vs 2008 charge-offs (times coverage)	1.6x

- Our expected default costs are made up of three components:
 - » Expected charge-offs
 - » REO expense
 - » Lost interest
- Our LLR covers expected charge-offs on impaired loans
- As of the 4th quarter, the LLR was about 1.6 times our 2008 charge-offs estimate



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Counterparty Risk Management

Ray Romano

Senior Vice President, Enterprise Risk Oversight

March 12, 2008

Mortgage and bond insurer exposure

(\$ Billions)		As of 12/31/2007
<u>Mortgage Insurers</u>		
1	Unpaid principal balance	\$298.0
2	Maximum exposure	56.0
<u>Bond Insurers</u>		
3	Total unpaid principal balance	17.9
4	ABS portfolio	11.7
5	Cash & investments	1.7
6	MRB	1.6
7	CMBS	2.9

Monitoring mortgage and bond insurers

- Freddie Mac uses various means to assess and manage the financial condition and counterparty risk of MIs and BIs.
 - » Ongoing fundamental analysis/financial reviews
 - » Internal/external ratings
 - » Internal and rating agency capital stress testing
 - » Exposure measurement processes
 - » Periodic on-site review of operational and business risks
 - » Strong relationships with MI/BI management and rating agencies
 - » MI periodic data submissions

Actions to manage MI exposure

- Limiting deeply ceded captive arrangements
- Reviewing non-monoline business activities and pricing
- Tightening underwriting standards
- Managing bulk pool policies to stronger MIs
- Working on loss mitigation actions

Actions to manage bond insurer exposure

- Maintaining communication with rating agencies
- Not buying wrapped bonds
- Stress testing the financial guarantors' insured books to determine whether they have sufficient claims-paying resources to honor their obligations



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Freddie Mac's ABS Portfolio

Gary Kain

Senior Vice President, Investments & Capital Markets

ABS portfolio overview

	Product	Total UPB (\$ bn)	Monoline wrapped UPB (\$ bn)	Credit Enhancement (w/ monoline)	Current 60+ Delinquency
1	Subprime	100.3	3.6	35.8%	21.0%
2	Alt-A	25.1	0.7	16.2%	7.5%
3	MTA ARMs	21.1	0.8	23.2%	7.2%
4	HELOCs	4.5	4.5	100.0%	8.2%
5	MH, Closed-end 2 nd Lien, and FHA/VA	3.1	1.2	57.6%	6.1%
6	Totals as of 12/31/07	154.1	10.8	33.2%	16.2%

Securities backed by monoline insurance are assumed to have 100% credit enhancement

Subprime ABS by year of origination

Acquisition Date	Underlying Collateral Performance		Credit Enhancement Statistics		
	Total UPB (\$ bn)	Avg Del 60+	Avg CE	Δ CE from Inception	Min. Subord.
2004 & Prior	2.18	20%	75%	27%	16%
2005	22.55	26%	53%	25%	19%
2006	39.56	25%	29%	8%	18%
2007	36.01	13%	30%	2%	19%
Total as of 12/31/07	100.30	21%	36%	10%	16%

Subprime portfolio stress tests - \$ 100.3 Billion UPB

Stress Scenario ¹ (60+ del. is 21% at 12/31/07)	Projected Net Present Value of Losses ²	Projected NPV of Losses as a % of Par Amount	% of Par Amount Recovered
Base Stress (50% default, 50% severity)	\$1 million	< 0.01%	> 99.99%
Severity Shock (50% default, 60% severity)	\$22 million	0.02%	99.98%
Default Rate Shock (60% default, 50% severity)	\$99 million	0.10%	99.90%
Default and Severity Shock (60% default, 60% severity)	\$1.1 billion	1.10%	98.90%

¹ Defaults are run at a constant rate where all defaults occur within a 6 year period producing an average time to default of just under two years. Prepayments were run assuming a 10 percent CPR until 24 months and then 15 percent CPR thereafter.

² Net present value assumes both principal write downs and interest shortfalls are discounted at forward LIBOR rates.

Note: Stress tests assume monoline insurers cover losses on the \$3.55 billion in insured securities.



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Remarks from the Chief Financial Officer

Buddy Piszal

Chief Financial Officer and Executive Vice President

- Financial reporting timeline is accelerating plan to release first quarter 2008 results by mid-May
- On track to become SEC registrant in mid-2008
- Controls remediation proceeding well
- Opportunities to reduce administrative expenses on an absolute and percentage of portfolio basis in 2008



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Improving the Clarity of Our Financial Presentation

Ed Golding

Senior Vice President, Equity Investor Relations

Actions taken to improve clarity of financial reporting

Changed accounting policies for the credit guarantee business.

- Reflect revenue and credit expenses consistently for third party and retained portfolio owned PCs.
- Better align revenue recognition with the release from risk of loss under credit guarantees
- Improve comparability of guarantee business results with those of other financial institutions

Freddie Mac has introduced a new financial metric called Adjusted Operating Income (“AOI”)

- Presents the underlying results of business segments in a manner that reflects how we manage and evaluate the performance of our business
- AOI is reported in our three business segments:
 - » Investments
 - » Single Family
 - » Multifamily

Overview of changes in accounting policies

Freddie Mac made the following accounting policy changes:

- Changes in accounting policy for PC residuals
- Changes in accounting policy for amortization of guarantee obligation
- The new accounting policies are applied retrospectively, improving transparency to investors

Reporting Adjusted operating income for segments

- **Investments:** Reflects results from the company's investment, funding and hedging activities, primarily within the company's retained portfolio.
- **Single-family Guarantee:** Reflects results from the company's single-family credit guarantee activities.
- **Multifamily:** Reflects results from the company's investments and guarantee activity in multifamily whole loans and securities, as well as the costs and benefits of the company's Low Income Housing Tax Credit (LIHTC) activities.
- **All Other (not a segment):** Reflects corporate-level expenses not allocated to the segments, such as remediation and restructuring costs and resolution of certain legal matters and income tax items.

Note: Adjusted operating income ("AOI") is a non-GAAP financial measure. For additional information about AOI and the company's segments, including a reconciliation of AOI results to our GAAP results and a discussion of why the company believes AOI provides useful information about the company's financial condition and results of operations, see pages 6-7, 30-32, 47-54 and 161-167 of the company's Information Statement and Annual Report to Stockholders, dated February 28, 2008.



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Deep Dive into New Financial Disclosures

David Kellermann

Senior Vice President, Business Area Controller

Net interest income / NIM

(\$ Billions)		Full-Year 2007	
		GAAP	AOI ¹
<u>Net Interest Income:</u>			
1	Consolidated GAAP vs Investment segment AOI (fully taxable-equivalent basis)	<u>\$ 3.5</u>	<u>\$ 3.6</u>
2	Contractual amounts, net of premium and discount amortization	4.4	3.3
3	Amortization of deferred balances in AOCI	(1.3)	-
4	Realized derivative gain (loss) amortization expense	-	(0.2)
5	Interest income (expense) on derivatives	-	0.3
6	Realized debt/asset gain (loss) amortization expense	-	(0.2)
7	Fully taxable-equivalent adjustment	<u>0.4</u>	<u>0.4</u>
8	GAAP vs Investment segment AOI (fully taxable-equivalent basis)	<u>\$ 3.5</u>	<u>\$ 3.6</u>
9	GAAP vs Investment segment AOI net interest yield (fully taxable-equivalent basis)	0.44%	0.51%

¹ Excludes net interest income attributable to single-family and multifamily segments of \$1.2 billion.

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GAAP vs. segment guarantee fees

(In Basis Points)	2007	
	GAAP	AOI
1 Contractual rate	16.3	15.7
2 Deferred rates (net)	2.9	2.3
3 Total effective g-fee rate	19.2	18.0

GAAP / AOI differences

- AOI contractual rate adjusts for net buy-up / buy-down; GAAP does not.
- GAAP deferred fees are amortized on two separate time schedules depending on vintage of guarantee; AOI utilizes one static effective amortization rate.
- In addition, GAAP effective g-fees exclude downward adjustment for buy-ups, as they are recorded elsewhere on the income statement.

Reconciliation of provision for credit losses from AOI to GAAP

(\$ Millions)		FY2006	FY2007
<u>Provision for Credit Losses - AOI</u>			
1	GAAP Provision for Credit Losses	(\$296)	(\$2,854)
2	Provision-related adjustments	(21)	(198)
3	AOI provision	(317)	(3,052)
4	Single-family Guarantee	(313)	(3,014)
5	Multifamily	(4)	(38)

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Safe Harbor Statements

Freddie Mac obligations

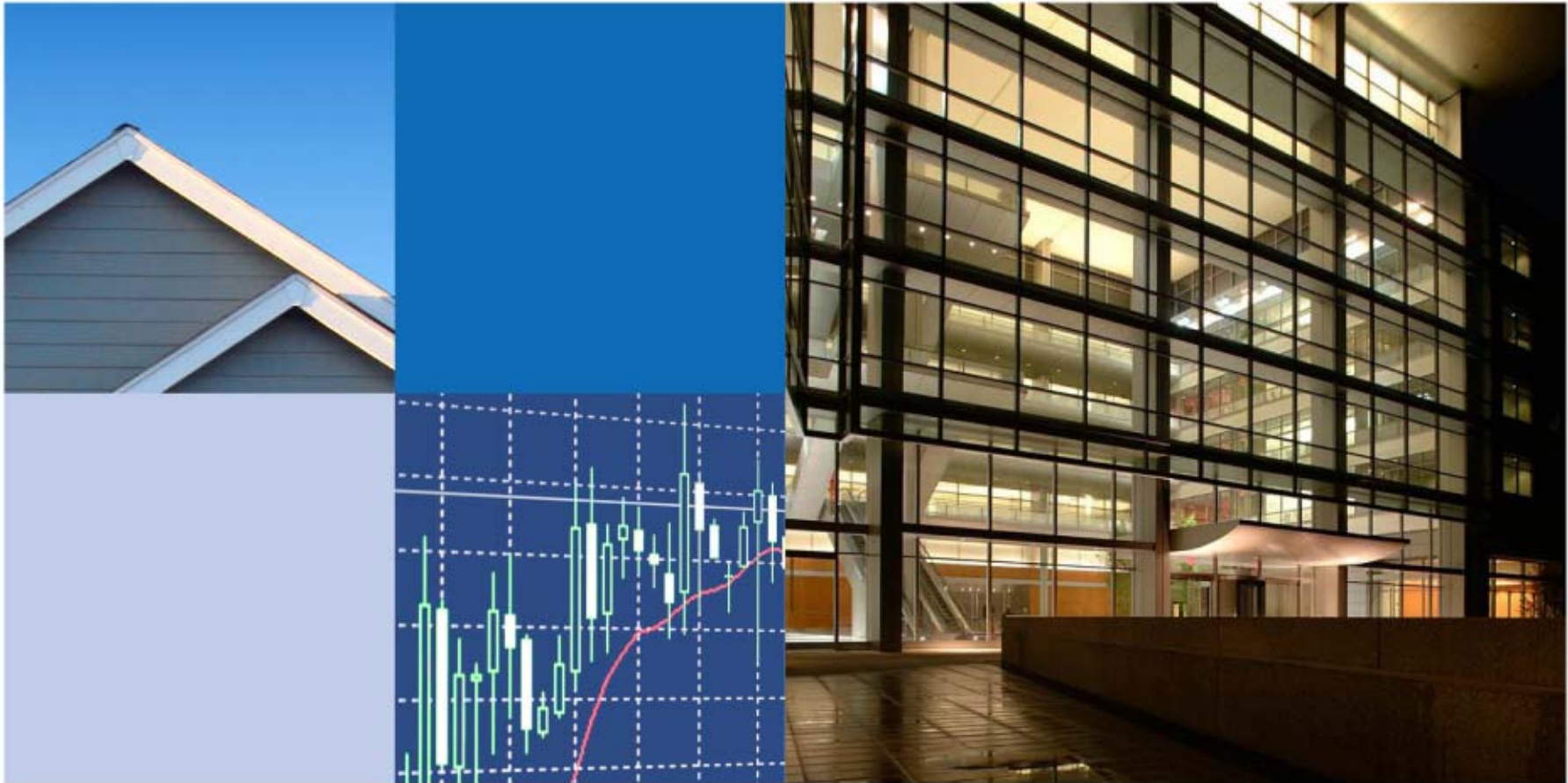
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Freddie Mac's presentations sometimes contain forward-looking statements pertaining to management's current expectations as to Freddie Mac's future business plans, capital management, remediation initiatives, returns on investments, results of operations and/or financial condition on a GAAP, Adjusted operating income or fair value basis. Management's expectations for the company's future necessarily involve a number of assumptions, judgments and estimates, and various factors, including changes in market conditions, liquidity, mortgage-to-debt OAS, and credit outlook, and the impacts of newly enacted legislation or regulations, could cause actual results to differ materially from these expectations. These assumptions, judgments, estimates and factors are discussed in the company's Information Statement and Annual Report dated February 28, 2008, which is available on the company's Web site: www.FreddieMac.com/investors.



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