



We make home possibleSM

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July 31, 2006

The Honorable James B. Lockhart III
Director
Office of Federal Housing Enterprise Oversight
1700 G Street, NW
4th Floor
Washington, DC 20552

Dear Director Lockhart:

In response to your recent request, beginning as of July 1, 2006, Freddie Mac will not increase its total retained portfolio as of June 30, 2006, as calculated in conformity with generally accepted accounting principles ("GAAP") and as reflected on the books and records of the Company, by more than 2.0% annually (0.5% quarterly), with such portfolio amount to be the "mortgage portfolio" asset amount reported in a supplemental schedule to be submitted in an amended June 30, 2006 minimum capital report, subject to the qualifications set forth therein. The June 30th GAAP number was \$710.3 billion as contained within the June 30, 2006 minimum capital report filed with the Office of Federal Housing Enterprise Oversight ("OFHEO") on July 28, 2006. We will keep this voluntary temporary growth limit in place until management notifies OFHEO that we have returned to producing and publicly releasing quarterly financial statements prepared in conformity with GAAP. Once we have returned to quarterly financial reporting, we will provide OFHEO with written notification and this temporary limitation on growth will expire.

We will begin reporting to OFHEO on a monthly basis the total retained portfolio, as calculated in conformity with GAAP and as reflected on the books and records of the Company, again with such portfolio amount to be the "mortgage portfolio" asset amount reported in a supplemental schedule to our minimum capital report as described above. Compliance with the temporary growth limitation will be determined as of the end of each quarter. If the retained portfolio is in excess of the growth limitation at a quarter end, Freddie Mac commits to notify OFHEO immediately upon discovery and return to compliance with the growth limitation as promptly as possible consistent with market conditions at that time.

Freddie Mac is aware of the need to satisfy our mission purposes as set forth in the Federal Home Loan Mortgage Corporation Act (12 U.S.C. §1451-1459) (our "Charter") and to meet our statutory and regulatory obligations to facilitate the financing of affordable housing as well as our affordable housing goals established by the U.S. Department of Housing and Urban Development ("HUD") pursuant to the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (12 U.S.C. §4501 *et seq.*). In addition, we note that, in 2005, HUD established three new affordable housing subgoals.

Any portfolio growth under this voluntary limitation would consist of purchases of multifamily whole loans, private label asset-backed securities, commercial mortgage-backed securities and other assets that are intended to help us meet our affordable housing goals or subgoals. These purchases also will be substantially similar to, or the same types as, those products previously purchased by Freddie Mac.

Depending on the growth rate and overall composition of the mortgage market, it may be appropriate for Freddie Mac to purchase mortgages or mortgage-related securities in excess of the growth limitation to meet our affordable housing goals, subgoals, or both. In addition, central to Freddie Mac's public mission under our Charter is our ability to facilitate a stable and efficient U.S. residential mortgage market using both private market efficiencies and the Charter tools provided to us by Congress – the purpose of which is to make homeownership a reality for Americans. Thus, while the temporary growth limitation is in place, Freddie Mac may need additional flexibility to allow us to fulfill our statutory mission if we are unable to sell assets to do so because such sales could significantly affect the mortgage market, mortgage rates or Freddie Mac's fair value. In such event, Freddie Mac will contact OFHEO to discuss the reasons for such growth prior to exceeding this growth limitation and seek OFHEO's concurrence.

We believe that our decision to adopt a temporary growth limitation pursuant to the terms of this letter is responsive to your concerns and should also enable us to satisfy our statutory mission under our Charter as well as our HUD affordable housing goals and subgoals.

We look forward to working with you.

Respectfully,

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

Chairman and Chief Executive Officer