

5,000,000 Shares

**Freddie  
Mac**

# Freddie Mac

## 5.79% Non-Cumulative Preferred Stock

|                         |  |
|-------------------------|--|
| Dividend Rate:          | 5.79%  |
| Payment Dates:          | March 31, June 30, September 30 and December 31 of each year, beginning September 30, 1999                                   |
| Dividend Adjustment:    | Dividend amount subject to adjustment upon certain adverse changes to dividends-received deduction prior to January 21, 2001 |
| Liquidation Preference: | \$50 per share plus current dividends  |
| Optional Redemption:    | On or after June 30, 2009  |
| Issue Date:             | July 21, 1999  |
| Listing:                | New York Stock Exchange (pending)  |

**FREDDIE MAC'S OBLIGATIONS UNDER THE TERMS OF THE PREFERRED STOCK ARE OBLIGATIONS OF FREDDIE MAC ONLY AND ARE NOT OBLIGATIONS OF, OR GUARANTEED BY, THE UNITED STATES OR ANY AGENCY OR INSTRUMENTALITY OF THE UNITED STATES OTHER THAN FREDDIE MAC.**

|                 | <u>Initial Public Offering Price (1)</u> | <u>Underwriting Discount</u> | <u>Proceeds to Freddie Mac (1) (2)</u> |
|-----------------|--|------------------------------|--|
| Per Share.....  | \$50.00                                  | \$0.50                       | \$49.50                                |
| Total (3) ..... | \$250,000,000                            | \$2,500,000                  | \$247,500,000                          |

- (1) Plus accrued dividends, if any, from July 21, 1999.  
 (2) Before deducting estimated expenses of \$150,000 payable by Freddie Mac.  
 (3) Freddie Mac has granted the Underwriters an option to purchase up to an additional 750,000 shares to cover overallocments. If all such shares are purchased, the total Initial Public Offering Price, Underwriting Discount and Proceeds to Freddie Mac will be \$287,500,000, \$2,875,000 and \$284,625,000, respectively. See "Underwriting."

**Goldman, Sachs & Co.**  
**Blaylock & Partners, L.P.**  
**First Tennessee Bank N.A.**  
**Lehman Brothers**  
**Salomon Smith Barney**

The date of this Offering Circular is July 16, 1999.

**CERTAIN PERSONS PARTICIPATING IN THIS OFFERING MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE PRICE OF THE PREFERRED STOCK, INCLUDING OVERALLOTMENT, STABILIZING AND SHORT-COVERING TRANSACTIONS IN SUCH SECURITIES, AND THE IMPOSITION OF A PENALTY BID, IN CONNECTION WITH THE OFFERING. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE “UNDERWRITING.”**

#### **ADDITIONAL INFORMATION**

This Offering Circular should be read in conjunction with, and is qualified in its entirety by:

- the Certificate of Creation, Designation, Powers, Preferences, Rights, Privileges, Qualifications, Limitations, Restrictions, Terms and Conditions (the “Certificate of Designation”) relating to the 5.79% Non-Cumulative Preferred Stock (the “Preferred Stock”), which will be in substantially the form attached as Appendix A to this Offering Circular;
- the press release and certain unaudited financial statements issued by Freddie Mac on July 15, 1999 attached as Appendix B to this Offering Circular; and
- Freddie Mac’s Information Statement dated March 31, 1999 and its Information Statement Supplement dated May 14, 1999 (together, the “Information Statement”), which are incorporated by reference.

Freddie Mac furnishes its stockholders with annual reports containing financial information audited by independent public accountants and quarterly reports containing unaudited financial information.

**The shares of Preferred Stock are exempt from the registration requirements of the Securities Act of 1933 and are “exempted securities” within the meaning of the Securities Exchange Act of 1934. Accordingly, Freddie Mac has not filed a registration statement and does not file periodic reports with the Securities and Exchange Commission.**

Copies of Freddie Mac’s most recent annual and quarterly reports and its most recent proxy statement are available, and copies of the Certificate of Designation as executed will be available, without charge, from Shareholder Relations, Freddie Mac, 8200 Jones Branch Drive, McLean, VA 22102, telephone (800) FREDDIE (800-373-3343).

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**Dividends paid on the Preferred Stock have no exemption under federal law from federal, state or local taxation.**

**The distribution of this Offering Circular and the offer, sale and delivery of the Preferred Stock in certain jurisdictions may be restricted by law. Persons who receive this Offering Circular should inform themselves about and observe any such restrictions.**

## OFFERING SUMMARY

|  |   |
|--|---|
| <b>Issuer</b> .....  | Federal Home Loan Mortgage Corporation (“Freddie Mac” or the “Corporation”).  |
| <b>Security Offered</b> .....  | 5,000,000 shares (assuming the Underwriters’ overallotment option is not exercised) of 5.79% Non-Cumulative Preferred Stock (the “Preferred Stock”), with a redemption price and liquidation preference of \$50 per share.  |
| <b>Dividends:</b>  |   |
| <b>Rate</b> .....  | 5.79%   |
|  | Dividends will accrue from July 21, 1999.   |
| <b>Frequency</b> .....   | Quarterly, when, as and if declared by the Board of Directors.  |
| <b>Payment Dates</b> .....   | March 31, June 30, September 30 and December 31 of each year, beginning September 30, 1999.   |
| <b>DRD Protection</b> .....  | If, prior to January 21, 2001, certain amendments to the Internal Revenue Code of 1986, as amended (the “Code”), are enacted that reduce the percentage of the dividends-received deduction below 70%, the amount of dividends payable in respect of the Preferred Stock will be adjusted to offset the effect of such reduction. However, no adjustment will be made to the extent that the percentage of the dividends-received deduction is reduced below 50%. |
| <b>Preferences</b> .....   | The Preferred Stock will be entitled to a preference, both as to dividends and upon liquidation, over the common stock (and any other junior stock) of Freddie Mac. The Preferred Stock will rank on a parity, both as to dividends and upon liquidation, with other currently outstanding series of Freddie Mac preferred stock.   |
| <b>Optional Redemption</b> .....                                     | Beginning June 30, 2009, Freddie Mac will have the option to redeem the Preferred Stock at any time, in whole or in part, at the redemption price of \$50 per share plus the amount that would otherwise be payable as the dividend for the then-current quarterly dividend period accrued through the redemption date.   |
| <b>Liquidation Rights</b> .....                                      | In the event of any dissolution or liquidation of Freddie Mac, holders of the Preferred Stock will be entitled to receive, out of any assets available for distribution to stockholders, up to \$50 per share plus the dividend for the then-current quarterly dividend period accrued through the liquidation payment date.  |
| <b>Voting Rights</b> .....   | None, except with respect to certain changes in the terms of the Preferred Stock.   |
| <b>Preemptive and Conversion Rights</b> .....                        | None.   |
| <b>Rating</b> .....  | The Preferred Stock has been rated “aa3” by Moody’s Investors Service, Inc. (“Moody’s”) and “AA-” by Standard & Poor’s Ratings Services (“S&P”). See “Rating.”  |
| <b>Use of Proceeds</b> .....   | To be added to the working capital of Freddie Mac and used for general corporate purposes, including the purchase of residential mortgages, the redemption of previously issued shares of preferred stock, the repayment of outstanding debt and the repurchase of outstanding shares of the Corporation’s stock.   |
| <b>Transfer Agent, Dividend Disbursing Agent and Registrar</b> ..... | First Chicago Trust Company, New York, New York.  |
| <b>NYSE Listing</b> .....  | Application has been made to list the Preferred Stock on the New York Stock Exchange (the “NYSE”).  |

## SUMMARY SELECTED FINANCIAL DATA

|   | At or For the Six<br>Months Ended<br>June 30, |            | At or For the Year Ended December 31, |            |            |           |            |
|---|---|------------|---------------------------------------|------------|------------|-----------|------------|
|   | 1999  | 1998       | 1998                                  | 1997       | 1996       | 1995      | 1994       |
| (dollars in millions, except per share amounts)       |   |            |                                       |            |            |           |            |
| <b>BALANCE SHEET</b>                                  |   |            |                                       |            |            |           |            |
| Retained portfolio(1) .....                           | \$ 299,184                                    | \$ 196,634 | \$ 255,009                            | \$ 164,421 | \$ 137,755 | \$107,424 | \$ 72,828  |
| Total assets .....                                    | \$ 341,540                                    | \$ 229,991 | \$ 321,421                            | \$ 194,597 | \$ 173,866 | \$137,181 | \$ 106,199 |
| Primary capital base(2) .....                         | \$ 11,323                                     | \$ 9,133   | \$ 11,603                             | \$ 8,215   | \$ 7,411   | \$ 6,546  | \$ 5,895   |
| Adjusted total capital base(3) .....                  | \$ 11,453                                     | \$ 9,572   | \$ 11,765                             | \$ 8,736   | \$ 7,901   | \$ 7,179  | \$ 7,121   |
| <b>MORTGAGE PURCHASE AND FINANCING<br/>ACTIVITIES</b> |   |            |                                       |            |            |           |            |
| Mortgage purchases .....                              | \$ 169,163                                    | \$ 124,862 | \$ 288,338                            | \$ 121,490 | \$ 128,565 | \$ 98,386 | \$ 124,246 |
| Number of mortgages purchased .....                   | 1,121,548                                     | 1,081,226  | 2,396,651                             | 1,085,046  | 1,232,540  | 934,890   | 1,256,566  |
| PC issuances .....                                    | \$ 152,029                                    | \$ 113,218 | \$ 250,564                            | \$ 114,258 | \$ 119,702 | \$ 85,877 | \$ 117,110 |
| Mortgage Participation Certificates ("PCs")(4) ...    | \$ 718,085                                    | \$ 609,791 | \$ 646,459                            | \$ 579,385 | \$ 554,260 | \$515,051 | \$ 491,325 |
| <b>INCOME STATEMENT</b>                               |   |            |                                       |            |            |           |            |
| Net interest income on earning assets(5) .....        | \$ 1,266                                      | \$ 910     | \$ 1,927                              | \$ 1,631   | \$ 1,542   | \$ 1,298  | \$ 1,047   |
| Management and guarantee income .....                 | \$ 687  | \$ 650     | \$ 1,307                              | \$ 1,298   | \$ 1,249   | \$ 1,185  | \$ 1,173   |
| Net income .....                                      | \$ 1,065                                      | \$ 807     | \$ 1,700                              | \$ 1,395   | \$ 1,243   | \$ 1,091  | \$ 983     |
| Earnings per common share:(6)                         |   |            |                                       |            |            |           |            |
| Basic .....   | \$ 1.43                                       | \$ 1.11    | \$ 2.32                               | \$ 1.90    | \$ 1.65    | \$ 1.42   | \$ 1.27    |
| Diluted .....   | \$ 1.42                                       | \$ 1.10    | \$ 2.31                               | \$ 1.88    | \$ 1.63    | \$ 1.41   | \$ 1.26    |
| Dividends per common share .....                      | \$ 0.30                                       | \$ 0.24    | \$ 0.48                               | \$ 0.40    | \$ 0.35    | \$ 0.30   | \$ 0.26    |
| Return on common equity(7) (8) .....                  | 24.6%   | 24.3%      | 24.1%                                 | 23.3%      | 22.2%      | 21.9%     | 23.2%      |

(1) Excludes related purchase and sale premiums, discounts and fees, reserve for losses on retained mortgages, and unrealized gains and losses on available-for-sale guaranteed mortgage securities.

(2) "Stockholders' equity" plus the sum of "Reserve for losses on retained mortgages" and "Reserve for losses on Mortgage Participation Certificates."

(3) "Primary capital base" and "Subordinated borrowings."

(4) Includes Freddie Mac PCs held in the retained portfolio.

(5) In fourth quarter 1998, Freddie Mac changed its reporting for the preferred stock ownership interests and dividends associated with its real estate investment trust ("REIT") subsidiaries, which were formed in 1997. Under the revised reporting, the preferred stock ownership interests in the REIT subsidiaries, previously reported as minority interest on Freddie Mac's Consolidated Balance Sheets, are now included in debt securities. The related dividends paid by the REIT subsidiaries, previously reported as minority interest on Freddie Mac's Consolidated Statements of Income, are now reported as interest expense on long-term debt. Amounts for 1997 have been restated to reflect this revised reporting.

(6) "Earnings per common share-basic" are computed based on weighted average common shares outstanding. "Earnings per common share-diluted" are computed based on the total of weighted average common shares outstanding and the effect of dilutive common equivalent shares outstanding.

(7) Calculated quarterly as "Net income" less preferred stock dividends, divided by the simple average of the beginning and ending balances of "Stockholders' equity," net of preferred stock (at redemption value).

(8) Year-to-date and annual computations reflect the average of quarterly returns and have been restated for consistency with current reporting.

## FREDDIE MAC

Freddie Mac is a shareholder-owned government-sponsored enterprise (“GSE”) chartered on July 24, 1970 pursuant to the Federal Home Loan Mortgage Corporation Act, Title III of the Emergency Home Finance Act of 1970, as amended (the “Freddie Mac Act”). Freddie Mac’s statutory purposes are:

- to provide stability in the secondary market for residential mortgages
- to respond appropriately to the private capital market
- to provide ongoing assistance to the secondary market for residential mortgages (including activities relating to mortgages on housing for low- and moderate-income families involving a reasonable economic return that may be less than the return earned on other activities)
- to promote access to mortgage credit throughout the United States (including central cities, rural areas and other underserved areas) by increasing the liquidity of mortgage investments and improving the distribution of investment capital available for residential mortgage financing.

Neither the United States nor any agency or instrumentality of the United States (other than Freddie Mac) is obligated, either directly or indirectly, to fund the mortgage purchase or financing activities of Freddie Mac.

The principal activity of Freddie Mac consists of the purchase of first lien, conventional, residential mortgages. Its mortgage purchases are primarily financed by sales of single-class guaranteed mortgage-related securities, primarily various types of mortgage participation certificates (“PCs”). Freddie Mac guarantees the payment of interest due on PCs and the principal of the underlying mortgages. Freddie Mac also finances mortgage purchases with debt securities, other liabilities and equity capital. In addition, Freddie Mac invests in mortgages and mortgage-related securities, and engages in other activities that support its mortgage purchases, investment and financing activities.

Freddie Mac is subject to two primary types of risk in the conduct of its business: credit risk associated with the mortgages it purchases and the institutions with which it does business; and interest-rate risk that principally results from mismatches between the maturities of the assets and liabilities associated with its mortgage portfolio. Freddie Mac also is subject to operational risk associated with losses that may occur due to human error, system failure (including failures related to the Year 2000 date change), fraud or circumvention of internal controls. For a discussion of the impact and management of these risks, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in the Information Statement.

The principal office of Freddie Mac is in McLean, Virginia. Freddie Mac has regional offices that are primarily responsible for the performance of various marketing activities and quality control procedures. These offices are located in Atlanta, Georgia; Chicago, Illinois; Dallas, Texas; McLean, Virginia; New York, New York and Woodland Hills, California.

A more detailed discussion of the business of the Corporation appears under “Business” in the Information Statement. The preceding description of the business of Freddie Mac is qualified in its entirety by that discussion.

## USE OF PROCEEDS

The Corporation will apply the net proceeds from the sale of Preferred Stock to its general funds to be used for general corporate purposes, including the purchase of residential mortgages, the redemption of shares of preferred stock previously issued by the Corporation, the repayment of outstanding debt and the repurchase of outstanding shares of the Corporation’s stock. The precise amounts and timing of the application of the proceeds will depend on the funding requirements of the Corporation.

The Corporation engages in financing transactions continuously. The amount and nature of such transactions depend on a number of factors, including the volume of mortgage prepayments and mortgages purchased by the Corporation, as well as general market conditions.

## CAPITALIZATION

The following table sets forth the capitalization of the Corporation at June 30, 1999 and as adjusted to reflect the sale of the Preferred Stock offered hereby. This table should be read in conjunction with the financial statements of the Corporation and other information contained in the Information Statement.

|  | June 30, 1999         |                |
|--|-----------------------|----------------|
|  | Actual                | As Adjusted(1) |
|  | (dollars in millions) |                |
| Debt Securities:   |                       |                |
| Notes and bonds payable due within one year:   |                       |                |
| Discount notes, medium-term notes and securities sold under agreements to repurchase . . .                 | \$155,857             | \$155,857      |
| Current portion of long-term debt . . . . .  | 10,084                | 10,084         |
|  | 165,941               | 165,941        |
| Notes and bonds payable due after one year . . . . .   | 148,341               | 148,341        |
| Total debt securities, net . . . . .   | 314,282               | 314,282        |
| Subordinated Borrowings . . . . .  | 130                   | 130            |
| Stockholders' Equity (2):  |                       |                |
| Variable-Rate, Non-Cumulative Preferred Stock, \$1.00 par value and \$50.00 redemption value (3) . . . . . | 250                   | 250            |
| 6.125% Non-Cumulative Preferred Stock, \$1.00 par value and \$50.00 redemption value (4) . .               | 287                   | 287            |
| 6.14% Non-Cumulative Preferred Stock, \$1.00 par value and \$50.00 redemption value (5) . . .              | 600                   | 600            |
| 5.81% Non-Cumulative Preferred Stock, \$1.00 par value and \$50.00 redemption value (6) . . .              | 150                   | 150            |
| 5% Non-Cumulative Preferred Stock, \$1.00 par value and \$50.00 redemption value (7) . . . . .             | 400                   | 400            |
| Variable Rate, Non-Cumulative Preferred Stock, \$1.00 par value and \$50.00 redemption value (8) . . . . . | 220                   | 220            |
| 5.1% Non-Cumulative Preferred Stock, \$1.00 par value and \$50.00 redemption value (8) . . . .             | 400                   | 400            |
| 5.3% Non-Cumulative Preferred Stock, \$1.00 par value and \$50.00 redemption value (9) . . . .             | 200                   | 200            |
| 5.1% Non-Cumulative Preferred Stock, \$1.00 par value and \$50.00 redemption value (10) . . .              | 150                   | 150            |
| 5.79% Non-Cumulative Preferred Stock, \$1.00 par value and \$50.00 redemption value (11) . .               | —                     | 250            |
| Common stock, \$0.21 par value . . . . .   | 152                   | 152            |
| Additional paid-in capital . . . . .   | 484                   | 481            |
| Retained earnings . . . . .  | 8,866                 | 8,866          |
| Net unrealized gain on certain investments reported at fair value, net of taxes . . . . .                  | (804)                 | (804)          |
| Less: Treasury stock, at cost . . . . .  | (800)                 | (800)          |
| Total stockholders' equity . . . . .   | 10,555                | 10,802         |
| Total capitalization . . . . .   | \$324,967             | \$325,214      |

- (1) "As adjusted" reflects anticipated proceeds of \$250 million from the issuance of 5 million shares of Preferred Stock and the deduction of \$2.7 million in estimated transaction costs. The actual costs may differ.
- (2) Preferred stock amounts reflect redemption values as shown. Costs associated with the issuance of preferred stock are included in additional paid-in capital.
- (3) Optional redemption on or after June 30, 2001.
- (4) Optional redemption on or after December 31, 2001.
- (5) Optional redemption on or after June 30, 2002.
- (6) Optional redemption on or after October 27, 1998.
- (7) Optional redemption on or after March 31, 2003.
- (8) Optional redemption on or after September 30, 2003.
- (9) Optional redemption on or after October 30, 2000.
- (10) Optional redemption on or after March 31, 2004.
- (11) Optional redemption on or after June 30, 2009.

See Notes 7 and 8 to the Consolidated Financial Statements included in the Information Statement for further information about Freddie Mac's debt securities, subordinated borrowings and stockholders' equity. Amounts of debt securities and subordinated borrowings are net of unamortized discounts, premiums and hedging gains or losses.

The Corporation engages in transactions affecting stockholders' equity (including repurchases of its common stock and redemptions of its preferred stock) from time to time and issues or retires debentures, notes and other debt obligations on an ongoing basis. Accordingly, on any date subsequent to June 30, 1999, stockholders' equity may differ, and the amount of debt obligations outstanding will differ, and may differ substantially, from the figures contained in the capitalization table above.

## SELECTED FINANCIAL DATA

The following selected financial data for the years 1994 through 1998 have been summarized or derived from the audited financial statements or the internal accounting records of the Corporation. These data are qualified in their entirety by, and should be read in conjunction with, the detailed information, audited financial statements and notes to financial statements that are presented in the Information Statement. The following selected financial data for the six months ended June 30, 1999 and June 30, 1998 have been summarized or derived from unaudited financial statements or from internal accounting records, but in the opinion of management of the Corporation, include all adjustments necessary for a fair presentation. Adjustments included herein are of a normal, recurring nature.

|  | At or For the Six<br>Months Ended<br>June 30,   |            | At or For the Year Ended December 31, |            |            |           |            |
|--|---|------------|---------------------------------------|------------|------------|-----------|------------|
|  | 1999  | 1998       | 1998                                  | 1997       | 1996       | 1995      | 1994       |
|  | (dollars in millions, except per share amounts) |            |                                       |            |            |           |            |
| <b>Balance Sheet</b>   |   |            |                                       |            |            |           |            |
| Retained portfolio(1) .....  | \$ 299,184                                      | \$ 196,634 | \$ 255,009                            | \$ 164,421 | \$ 137,755 | \$107,424 | \$ 72,828  |
| Total assets .....   | \$ 341,540                                      | \$ 229,991 | \$ 321,421                            | \$ 194,597 | \$ 173,866 | \$137,181 | \$ 106,199 |
| Debt securities, net(2) .....  | \$ 314,282                                      | \$ 203,494 | \$ 287,234                            | \$ 172,321 | \$ 156,491 | \$119,328 | \$ 92,053  |
| Total liabilities(2) .....   | \$ 330,433                                      | \$ 220,721 | \$ 309,978                            | \$ 186,154 | \$ 166,271 | \$130,297 | \$ 99,368  |
| <b>Capital base:</b>   |   |            |                                       |            |            |           |            |
| Stockholders' equity .....   | \$ 10,555                                       | \$ 8,413   | \$ 10,835                             | \$ 7,521   | \$ 6,731   | \$ 5,863  | \$ 5,162   |
| Reserve for losses on mortgages(3) .....   | 768   | 720        | 768                                   | 694        | 680        | 683       | 733        |
| <b>Primary capital base</b> .....  | \$ 11,323                                       | \$ 9,133   | \$ 11,603                             | \$ 8,215   | \$ 7,411   | \$ 6,546  | \$ 5,895   |
| Subordinated borrowings .....  | 130   | 439        | 162                                   | 521        | 490        | 633       | 1,226      |
| <b>Adjusted total capital base</b> .....   | \$ 11,453                                       | \$ 9,572   | \$ 11,765                             | \$ 8,736   | \$ 7,901   | \$ 7,179  | \$ 7,121   |
| Mortgage Participation Certificates ("PCs") (4) .....                                      | \$ 718,085                                      | \$ 609,791 | \$ 646,459                            | \$ 579,385 | \$ 554,260 | \$515,051 | \$ 491,325 |
| Freddie Mac PCs held in the retained portfolio .....                                       | \$ 202,478                                      | \$ 129,104 | \$ 168,108                            | \$ 103,400 | \$ 81,195  | \$ 56,006 | \$ 30,670  |
| Primary capital ratio(5) .....   | 1.32%   | 1.29%      | 1.45%                                 | 1.23%      | 1.15%      | 1.10%     | 1.04%      |
| Adjusted total capital ratio(6) .....  | 1.34%   | 1.35%      | 1.47%                                 | 1.30%      | 1.22%      | 1.20%     | 1.26%      |
| Return on common equity(7) (8) .....   | 24.6%   | 24.3%      | 24.1%                                 | 23.3%      | 22.2%      | 21.9%     | 23.2%      |
| Return on average assets and contingencies(8) (9) .....                                    | 0.26%   | 0.23%      | 0.24%                                 | 0.21%      | 0.20%      | 0.20%     | 0.18%      |
| <b>Mortgage Purchase and Financing Activities</b>  |   |            |                                       |            |            |           |            |
| Mortgage purchases .....   | \$ 169,163                                      | \$ 124,862 | \$ 288,338                            | \$ 121,490 | \$ 128,565 | \$ 98,386 | \$ 124,246 |
| Number of mortgages purchased .....  | 1,121,548                                       | 1,081,226  | 2,396,651                             | 1,085,046  | 1,232,540  | 934,890   | 1,256,566  |
| PC issuances .....   | \$ 152,029                                      | \$ 113,218 | \$ 250,564                            | \$ 114,258 | \$ 119,702 | \$ 85,877 | \$ 117,110 |
| Structured Securitizations(10) .....   | \$ 85,182                                       | \$ 70,748  | \$ 135,162                            | \$ 84,366  | \$ 34,145  | \$ 15,372 | \$ 73,131  |
| <b>Long-term debt:(2)</b>  |   |            |                                       |            |            |           |            |
| Issued .....   | \$ 71,089                                       | \$ 29,040  | \$ 63,789                             | \$ 35,091  | \$ 33,852  | \$ 29,643 | \$ 22,744  |
| Retired .....  | (16,837)  | (26,685)   | (54,708)                              | (22,091)   | (20,819)   | (11,082)  | (6,462)    |
| Net .....  | \$ 54,252                                       | \$ 2,355   | \$ 9,081                              | \$ 13,000  | \$ 13,033  | \$ 18,561 | \$ 16,282  |
| <b>Income Statement</b>  |   |            |                                       |            |            |           |            |
| Net interest income on earning assets(2) .....   | \$ 1,266  | \$ 910     | \$ 1,927                              | \$ 1,631   | \$ 1,542   | \$ 1,298  | \$ 1,047   |
| Management and guarantee income .....  | \$ 687  | \$ 650     | \$ 1,307                              | \$ 1,298   | \$ 1,249   | \$ 1,185  | \$ 1,173   |
| Income before income taxes and extraordinary item .....                                    | \$ 1,559  | \$ 1,123   | \$ 2,356                              | \$ 1,964   | \$ 1,797   | \$ 1,586  | \$ 1,482   |
| Net income .....   | \$ 1,065  | \$ 807     | \$ 1,700                              | \$ 1,395   | \$ 1,243   | \$ 1,091  | \$ 983     |
| <b>Earnings per common share:(11)</b>  |   |            |                                       |            |            |           |            |
| Basic .....  | \$ 1.43   | \$ 1.11    | \$ 2.32                               | \$ 1.90    | \$ 1.65    | \$ 1.42   | \$ 1.27    |
| Diluted .....  | \$ 1.42   | \$ 1.10    | \$ 2.31                               | \$ 1.88    | \$ 1.63    | \$ 1.41   | \$ 1.26    |
| <b>Weighted average common shares outstanding<br/>(in thousands):(11)</b>                  |   |            |                                       |            |            |           |            |
| Basic .....  | 695,591   | 678,138    | 679,790                               | 684,937    | 709,453    | 721,288   | 722,663    |
| Diluted .....  | 700,500   | 683,139    | 684,658                               | 691,701    | 714,878    | 725,114   | 726,108    |
| Dividends per common share .....   | \$ 0.30   | \$ 0.24    | \$ 0.48                               | \$ 0.40    | \$ 0.35    | \$ 0.30   | \$ 0.26    |
| Dividend payout ratio on common stock .....  | 21.01%  | 21.61%     | 20.65%                                | 21.08%     | 21.26%     | 21.09%    | 20.47%     |
| Ratio of earnings to fixed charges(2) (12) .....   | 1.17:1  | 1.17:1     | 1.16:1                                | 1.17:1     | 1.19:1     | 1.23:1    | 1.31:1     |
| Ratio of earnings to combined fixed charges and preferred<br>stock dividends(2) (12) ..... | 1.15:1  | 1.16:1     | 1.15:1                                | 1.16:1     | 1.18:1     | 1.22:1    | 1.30:1     |

- (1) Excludes related purchase and sale premiums, discounts and fees, reserve for losses on retained mortgages, and unrealized gains and losses on available-for-sale guaranteed mortgage securities.
- (2) In fourth quarter 1998, Freddie Mac changed its reporting for the preferred stock ownership interests and dividends associated with its REIT subsidiaries, which were formed in 1997. Under the revised reporting, the preferred stock ownership interests in the REIT subsidiaries, previously reported as minority interest on Freddie Mac's Consolidated Balance Sheets, are now included in debt securities. The related dividends paid by the REIT subsidiaries, previously reported as minority interest on Freddie Mac's Consolidated Statements of Income, are now reported as interest expense on long-term debt. Amounts for 1997 have been restated to reflect this revised reporting.
- (3) "Reserve for losses on retained mortgages" and "Reserve for losses on Mortgage Participation Certificates."
- (4) Includes Freddie Mac PCs held in the retained portfolio.
- (5) "Primary capital base" divided by the sum of "Total assets" and "PCs" less "Freddie Mac PCs held in the retained portfolio."
- (6) "Adjusted total capital base" divided by the sum of "Total assets" and "PCs" less "Freddie Mac PCs held in the retained portfolio."
- (7) Calculated quarterly as "Net income" less preferred stock dividends, divided by the simple average of the beginning and ending balances of "Stockholders' equity," net of preferred stock (at redemption value).
- (8) Year-to-date and annual computations reflect the average of quarterly returns and have been restated for consistency with current reporting.
- (9) Calculated quarterly as "Net income" divided by the simple average of the beginning and ending balances of "Total assets" and "PCs" less "Freddie Mac PCs held in the retained portfolio."
- (10) Includes issuances of mortgage-related securities in which the cash flows are structured into various classes having a variety of features, the majority of which qualify for treatment as Real Estate Mortgage Investment Conduits (REMICs) under the Internal Revenue Code.
- (11) "Earnings per common share-basic" are computed based on weighted average common shares outstanding. "Earnings per common share-diluted" are computed based on the total of weighted average common shares outstanding and the effect of dilutive common equivalent shares outstanding.
- (12) Earnings represent consolidated pre-tax income plus consolidated fixed charges, less interest capitalized. Fixed charges include interest (including amounts capitalized) and the portion of net rental expense deemed representative of interest.

## REGULATION AND GOVERNMENTAL RELATIONSHIPS

From time to time, Freddie Mac's statutory, structural and regulatory relationships with the federal government may be subject to review or modification. While Freddie Mac's GSE status is often advantageous for the Corporation, proposals have been advanced that could adversely affect Freddie Mac's fulfillment of its statutory purposes, as well as the Corporation's results of operations. A more detailed discussion of Freddie Mac's regulatory and governmental relationships appears under "Regulation and Governmental Relationships" in the Information Statement.

## DESCRIPTION OF PREFERRED STOCK

The description of the Preferred Stock set forth below does not purport to be complete and is qualified in its entirety by the Certificate of Designation, which will be in substantially the form attached as Appendix A.

### General

Section 306(f) of the Freddie Mac Act authorizes Freddie Mac to issue an unlimited number of shares of preferred stock. The shares of Preferred Stock being offered hereby will have a par value of \$1.00 per share. The Preferred Stock will be created pursuant to the Certificate of Designation.

First Chicago Trust Company, New York, New York, will be the transfer agent, dividend disbursing agent and registrar for the Preferred Stock.

### Authorized Issuance

Freddie Mac has been authorized by its Board of Directors to issue the shares of Preferred Stock offered hereby. The Board of Directors may increase the authorized number of shares at any time, without the consent of the holders of Preferred Stock.

### Dividends

Dividends on shares of the Preferred Stock will not be mandatory. Holders of Preferred Stock will be entitled to receive non-cumulative, quarterly cash dividends which will accrue from but not including July 21, 1999 and will be payable on March 31, June 30, September 30 and December 31 of each year (each, a "Dividend Payment Date"), commencing September 30, 1999, at the annual rate of \$2.895 per share, when, as and if declared by the Board of Directors in its sole discretion, out of funds legally available for dividend payments. If a Dividend Payment Date is not a "Business Day," the related dividend will be paid on the next Business Day with the same force and effect as though paid on the Dividend Payment Date, without any increase to account for the period from such Dividend Payment Date through the date of actual payment. For these purposes, "Business Day" means a day other than (i) a Saturday or a Sunday, (ii) a day on which New York City banks are closed or (iii) a day on which the offices of Freddie Mac are closed. Dividends will be paid to holders of record on the record date fixed by the Board of Directors, not to be earlier than 45 days or later than 10 days preceding the applicable Dividend Payment Date. If declared, the initial dividend, which will be for the period from but not including July 21, 1999 through and including September 30, 1999, will be \$0.554875 per share and will be payable on September 30, 1999. Thereafter, the "Dividend Period" relating to a Dividend Payment Date will be the period from but not including the preceding Dividend Payment Date through and including the related Dividend Payment Date.

The Preferred Stock will rank prior to the Voting Common Stock, par value \$0.21 per share, of Freddie Mac (the "Common Stock") with respect to dividends, to the extent provided in the Certificate of Designation. No dividend may be declared or paid or set apart for payment on the Common Stock (or any other junior stock) unless dividends have been declared and paid or set apart (or ordered to be set apart) on the Preferred Stock in respect of the then-current Dividend Period. The Preferred Stock will rank on a parity with respect to dividends with the following currently outstanding securities: the 5.1% Non-Cumulative Preferred Stock issued on March 19, 1999, the 5.3% Non-Cumulative Preferred Stock issued on October 28, 1998, the Variable Rate, Non-Cumulative Preferred Stock issued on September 23, 1998 and September 29, 1998, the 5.1% Non-Cumulative Preferred Stock issued on September 23, 1998, the 5% Non-Cumulative



Preferred Stock issued on March 23, 1998, the 5.81% Non-Cumulative Preferred Stock issued on October 27, 1997, the 6.14% Preferred Stock issued on June 3, 1997, the 6.125% Non-Cumulative Preferred Stock issued on November 1, 1996 and the Variable Rate, Non-Cumulative Preferred Stock issued on April 26, 1996 (collectively, the “Existing Preferred Stock”).

Dividends on the Preferred Stock will not be cumulative. If a dividend is not paid on the Preferred Stock, the holders of the Preferred Stock will have no claim in respect of such non-payment so long as no dividend is paid on the Common Stock (or any other junior stock) or the Existing Preferred Stock for the then-current period.

The Board of Directors may, in its discretion, choose to pay dividends on the Preferred Stock without the payment of any dividends on the Common Stock.

No dividends will be declared or paid or set apart for payment on any shares of the Preferred Stock if at the same time any arrears or default exists in the payment of dividends on any outstanding class or series of stock of Freddie Mac ranking prior to the Preferred Stock with respect to the payment of dividends. At the time of issuance of the Preferred Stock, no class or series of stock of Freddie Mac ranking prior to the Preferred Stock will exist.

Holders of shares of the Preferred Stock will not be entitled to any dividends, whether payable in cash or property, other than as described above and will not be entitled to interest, or any sum in lieu of interest, in respect of any dividend payment. See “Regulatory Matters” for a description of possible regulatory restrictions on Freddie Mac’s payment of dividends.

#### **Changes in the Dividends-Received Percentage**

If, prior to January 21, 2001, one or more amendments to the Code are enacted that reduce the percentage of the dividends-received deduction (currently 70 percent) as specified in section 243(a)(1) of the Code or any successor provision (the “Dividends-Received Percentage”), certain adjustments may be made in respect of the dividends payable by the Corporation, and Post Declaration Date Dividends and Retroactive Dividends (as such terms are defined below) may become payable, as described below.

The amount of each dividend payable (if declared) per share of Preferred Stock for dividend payments made on or after the effective date of such change in the Code will be adjusted by multiplying the amount of the dividend payable described above under “Dividends” (before adjustment) by a factor, which will be the number determined in accordance with the following formula (the “DRD Formula”), and rounding the result to the nearest cent (with one-half cent rounded up):

$$\frac{1-.35(1-.70)}{1-.35(1-DRP)}$$

For the purposes of the DRD Formula, “DRP” means the Dividends-Received Percentage (expressed as a decimal) applicable to the dividend in question; *provided, however*, that if the Dividends-Received Percentage applicable to the dividend in question is less than 50%, then the DRP will equal .50. No amendment to the Code, other than a change in the percentage of the dividends-received deduction set forth in section 243(a)(1) of the Code or any successor provision, or a change in the percentage of the dividends-received deduction for certain categories of stock, which change is applicable to the Preferred Stock, will give rise to an adjustment. Notwithstanding the foregoing provisions, if, with respect to any such amendment, the Corporation receives either an unqualified opinion of nationally recognized independent tax counsel selected by the Corporation or a private letter ruling or similar form of assurance from the Internal Revenue Service (the “IRS”) to the effect that such an amendment does not apply to a dividend payable on the Preferred Stock, then such amendment will not result in the adjustment provided for pursuant to the DRD Formula with respect to such dividend. The opinion referenced in the previous sentence must be based upon the legislation amending or establishing the DRP or upon a published pronouncement of the IRS addressing such legislation. Unless the context otherwise requires, references to dividends in this Offering Circular will mean dividends as adjusted by the DRD Formula. The Corporation’s calculation of the dividends payable as so adjusted shall be final and not subject to review.

Notwithstanding the foregoing, if any such amendment to the Code is enacted after the dividend payable on a Dividend Payment Date has been declared but before such dividend is paid, the amount of the dividend payable on such Dividend Payment Date will not be increased; instead, additional dividends (the "Post Declaration Date Dividends"), equal to the excess, if any, of (x) the product of the dividend paid by the Corporation on such Dividend Payment Date and the DRD Formula (where the DRP used in the DRD Formula would be equal to the greater of the Dividends-Received Percentage applicable to the dividend in question and .50) over (y) the dividend paid by the Corporation on such Dividend Payment Date, will be payable (if declared) to holders of Preferred Stock on the record date applicable to the next succeeding Dividend Payment Date, in addition to any other amounts payable on such date.

If any such amendment to the Code is enacted and the reduction in the Dividends-Received Percentage retroactively applies to a Dividend Payment Date as to which the Corporation previously paid dividends on the Preferred Stock (each, an "Affected Dividend Payment Date"), the Corporation will pay (if declared) additional dividends (the "Retroactive Dividends") to holders of Preferred Stock on the record date applicable to the next succeeding Dividend Payment Date (or, if such amendment is enacted after the dividend payable on such Dividend Payment Date has been declared, to Holders of Preferred Stock on the record date applicable to the second succeeding Dividend Payment Date following the date of enactment) in an amount equal to the excess of (x) the product of the dividend paid by the Corporation on each Affected Dividend Payment Date and the DRD Formula (where the DRP used in the DRD Formula would be equal to the greater of the Dividends-Received Percentage and .50 applied to each Affected Dividend Payment Date) over (y) the sum of the dividend paid by the Corporation on each Affected Dividend Payment Date. The Corporation will make only one payment of Retroactive Dividends for any such amendment. Notwithstanding the foregoing provisions, if, with respect to any such amendment, the Corporation receives either an unqualified opinion of nationally recognized independent tax counsel selected by the Corporation or a private letter ruling or similar form of assurance from the IRS to the effect that such amendment does not apply to a dividend payable on an Affected Dividend Payment Date for the Preferred Stock, then such amendment will not result in the payment of Retroactive Dividends with respect to such Affected Dividend Payment Date. The opinion referenced in the previous sentence must be based upon the legislation amending or establishing the DRP or upon a published pronouncement of the IRS addressing such legislation.

Notwithstanding the foregoing, no adjustment in the dividends payable by the Corporation will be made, and no Post Declaration Date Dividends or Retroactive Dividends will be payable by the Corporation, in respect of the enactment of any amendment to the Code on or after January 21, 2001.

In the event that the amount of dividends payable per share of the Preferred Stock is adjusted pursuant to the DRD Formula and/or Post Declaration Date Dividends or Retroactive Dividends are to be paid, the Corporation will give notice of each such adjustment and, if applicable, any Post Declaration Date Dividends and Retroactive Dividends to the holders of Preferred Stock.

### **Optional Redemption**

The Preferred Stock will not be redeemable prior to June 30, 2009. On or after that date and subject to any further limitations which may be imposed by law, Freddie Mac may redeem the Preferred Stock, in whole or in part, at any time or from time to time, out of funds legally available therefor, at the redemption price of \$50.00 per share plus an amount equal to the amount of the dividend, if any (calculated as provided in the Certificate of Designation), that would otherwise be payable for the then-current Dividend Period accrued through and including the date of such redemption. If less than all of the outstanding shares of the Preferred Stock are to be redeemed, Freddie Mac will select shares to be redeemed from the outstanding shares not previously called for redemption by lot or pro rata (as nearly as possible) or by any other method which Freddie Mac in its sole discretion deems equitable.

Freddie Mac will give notice of any such redemption by mail to holders of the Preferred Stock not less than 30 days and not more than 60 days prior to the date fixed by Freddie Mac for such redemption. Each such notice will state the number of shares of Preferred Stock being redeemed, the redemption price, the redemption date and the place at which a holder's certificate(s) representing shares of the Preferred Stock must be presented upon such redemption.

See “Regulatory Matters” for a description of possible regulatory restrictions on Freddie Mac’s redemption of the Preferred Stock.

From and after the redemption date, the shares of Preferred Stock called for redemption will no longer be deemed outstanding, and all rights of the holders thereof as holders of the Preferred Stock will cease.

### **Regulatory Matters**

Neither Freddie Mac’s right to declare dividends on nor its right to redeem the Preferred Stock is currently subject to prior regulatory approval. Under the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (the “GSE Act”), the exercise of these rights may be subject to regulatory approval only if the Corporation fails to meet applicable capital standards.

The GSE Act established minimum capital, critical capital and risk-based capital standards for the Corporation.

The GSE Act has required the Corporation to maintain “core capital” in an amount that equals or exceeds the levels established under the minimum and critical capital standards since the GSE Act was enacted. In June 1996, the Director (the “Director”) of the Office of Federal Housing Enterprise Oversight (“OFHEO”) issued a final minimum capital regulation that interprets the minimum capital standard and implements a calculation methodology similar to the methodology OFHEO applied on an interim basis since the GSE Act was enacted.

The GSE Act does not require the Corporation to maintain “total capital” at a level that equals or exceeds the risk-based capital standard until the Director issues a final risk-based capital regulation establishing the risk-based capital stress test (and the risk-based capital level cannot be determined from the GSE Act alone). OFHEO issued the proposed risk-based capital regulation in two portions — the first in June 1996 and the second in April 1999. Following the submission and consideration of public comments on the proposals, OFHEO will determine whether to issue a final regulation or a revised proposal. Under the GSE Act, the final regulation will become effective immediately upon issuance. However, as described below, various aspects of OFHEO’s capital-related authority do not become effective until one year after OFHEO issues a final risk-based capital regulation.

Subject to the applicability of the risk-based capital standard described above, the Corporation may pay a dividend without prior OFHEO approval if the payment would not decrease the total capital of the Corporation to an amount less than the risk-based capital level for the Corporation and would not decrease the core capital level to an amount less than the minimum capital level for the Corporation. Beginning one year after the final risk-based capital regulation is issued, if the Corporation’s total capital is less than the risk-based capital level, but its core capital equals or exceeds the minimum capital level, the Corporation is prohibited from making a dividend payment that would decrease its core capital to an amount less than the minimum capital level. At any time, if the Corporation’s core capital is less than the minimum capital level, the Corporation may make a dividend payment only if the Director determines that the dividend payment satisfies certain statutory standards and if the Director approves the payment, and under these circumstances the Corporation is prohibited from making any dividend payment that would decrease the Corporation’s core capital to less than the critical capital level.

In addition to the preceding requirements that relate directly to the payment of dividends, the Director has authority, under certain conditions, to require the Corporation to submit for the Director’s approval a capital restoration plan or to restrict the Corporation’s activities, either of which also could affect the payment of dividends. Specifically, if the Director determines, after the risk-based capital regulation has been in effect for one year, that the Corporation fails to meet the risk-based capital standard, or if the Director determines, at any time, that the Corporation fails to meet the minimum capital standard, the Corporation will be required to submit for the Director’s approval a capital restoration plan setting forth a feasible plan for restoring the Corporation’s capital level. In addition, if the Corporation at any time fails to meet the minimum capital standard, the Director is authorized to impose various limitations on the Corporation’s activities. If, at any time, the Director determines that the Corporation fails to meet the critical capital standard, the Director may appoint a conservator for the Corporation.

If the Director does not approve a required capital restoration plan or determines that the Corporation has failed to make reasonable efforts to comply with such a plan, then the Director may treat the Corporation as not meeting capital standards that it otherwise meets and take the actions authorized when the Corporation does not meet such standards. Similarly, beginning one year after OFHEO issues a final risk-based capital rule, if the Director determines that the Corporation is engaging in conduct not approved by the Director that could result in a rapid depletion of core capital or that the value of the property subject to mortgages held or securitized by the Corporation has decreased significantly, the Director is authorized to treat the Corporation as not meeting capital standards that it otherwise meets.

If the Corporation fails to meet or is treated by the Director as not meeting applicable capital standards and the Director has reasonable cause to believe that the Corporation or any executive officer or director of the Corporation is engaging in or about to engage in any conduct (which could include the payment of dividends) that threatens to result in a material depletion of the Corporation's core capital, then the Director is authorized to commence proceedings pursuant to which, after a hearing, the Director could issue a cease and desist order prohibiting such conduct. If the Director determines that the conduct in question is likely to cause a significant depletion of core capital, the Director can issue such an order without a hearing, which would be effective until completion of the cease-and-desist proceedings, and can do so without regard to whether the Corporation meets all applicable capital standards.

The Director has the authority to require the Corporation to submit a report to the Director regarding any capital distribution (including any dividend) declared by the Corporation before the Corporation makes the distribution.

The foregoing discussion with respect to the payment of dividends is equally applicable to Freddie Mac's redemption of the Preferred Stock and is based on Freddie Mac's understanding and interpretations of the relevant provisions of the GSE Act. OFHEO has not yet issued any definitive guidance as to its interpretations of these provisions of the GSE Act. Until OFHEO has provided such guidance, there can be no assurance that the foregoing discussion will be consistent with OFHEO's interpretation in every respect. A more detailed discussion of the regulatory oversight of Freddie Mac's capitalization and the terms used above appears under "Regulation and Governmental Relationships — Regulation of Freddie Mac — OFHEO Oversight" in the Information Statement.

#### **No Preemptive Rights and No Conversion**

No holder of the Preferred Stock will have any preemptive right to purchase or subscribe for any other shares, rights, options or other securities of any class of Freddie Mac which at any time may be sold or offered for sale by Freddie Mac. The holders of shares of Preferred Stock will not have any right to convert such shares into or exchange such shares for any other class or series of stock or obligations of Freddie Mac.

#### **No Voting Rights**

Section 306(f) of the Freddie Mac Act prohibits the holders of Preferred Stock from voting with respect to the election of any member of the Board of Directors. Except as set forth under "Amendments" below, the holders of the Preferred Stock will not be entitled to vote.

#### **Liquidation Rights**

Upon any voluntary or involuntary dissolution, liquidation or winding up of Freddie Mac, after payment or provision for the liabilities of Freddie Mac and the expenses of such dissolution, liquidation or winding up, the holders of the outstanding shares of the Preferred Stock will be entitled to receive out of the assets of Freddie Mac available for distribution to stockholders, before any payment or distribution is made on the Common Stock (or any other junior stock), the amount of \$50.00 per share plus an amount equal to the dividend (calculated as provided in the Certificate of Designation) for the then-current quarterly Dividend Period accrued through and including the date of such liquidation payment. In the event of the dissolution, liquidation or winding up of Freddie Mac, the rights of the Preferred Stock are on a parity with those of the Existing Preferred Stock. If the assets of Freddie Mac available for distribution in such event are insufficient to pay in full the aggregate amount payable to holders of the Preferred Stock, the Existing Preferred Stock and

any other class or series of stock ranking on a parity upon liquidation with the Preferred Stock and the Existing Preferred Stock, the assets will be distributed to the holders of Preferred Stock, the Existing Preferred Stock and such parity stock pro rata, based on the amounts to which they are entitled.

Notwithstanding the foregoing, holders of the Preferred Stock will not be entitled to be paid any amount in respect of a dissolution, liquidation or winding up of Freddie Mac until holders of any classes or series of stock of Freddie Mac ranking prior to the Preferred Stock upon liquidation have been paid all amounts to which such classes or series are entitled.

A consolidation, merger or combination of Freddie Mac with or into any other corporation or entity, or the sale of all or substantially all of the property or business of Freddie Mac, will not be deemed to be a liquidation, dissolution or winding up of Freddie Mac for purposes of these provisions on liquidation rights.

#### **Additional Classes or Series of Stock**

Freddie Mac will have the right to create and issue additional classes or series of stock ranking prior to, on a parity with or junior to the Preferred Stock, as to dividends, liquidation or otherwise, without the consent of holders of the Preferred Stock.

#### **Amendments**

Without the consent of the holders of the Preferred Stock, Freddie Mac will have the right to amend, alter, supplement or repeal any terms of the Preferred Stock to cure any ambiguity, to correct or supplement any term which may be defective or inconsistent with any other term or to make any other provisions so long as such action does not materially and adversely affect the interests of the holders of the Preferred Stock. Otherwise, the terms of the Preferred Stock may be amended, altered, supplemented or repealed only with the consent of the holders of at least two-thirds of the outstanding shares of Preferred Stock. On matters requiring their consent, holders of the Preferred Stock will be entitled to one vote per share.

#### **NYSE Listing**

Application has been made to list the Preferred Stock on the NYSE. Approval of such application will be subject, among other things, to satisfactory distribution of the Preferred Stock.

### **CERTAIN FEDERAL INCOME TAX CONSEQUENCES**

The Preferred Stock and payments thereon are generally subject to taxation by the United States and other taxing jurisdictions to the same extent and in the same manner as stock of and payments thereon by any other corporation. The following discussion addresses some of the U.S. federal income tax consequences that may result from ownership of the Preferred Stock by a U.S. person who holds the Preferred Stock as a capital asset. For this purpose, a U.S. person is an individual who is a citizen or resident of the United States for federal income tax purposes, a corporation, partnership or other type of entity organized under the laws of the United States or any State (other than a partnership that is not treated as a U.S. person under any applicable Treasury regulations), an estate whose income is subject to U.S. federal income tax regardless of its source, or a trust if a court within the United States is able to exercise primary supervision of the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust. Notwithstanding the preceding sentence, to the extent provided in Treasury regulations, certain trusts in existence on August 20, 1996, and treated as U.S. persons prior to such date, that elect to continue to be treated as U.S. persons, also will be U.S. persons. This discussion does not purport to address all rules which may apply to particular investors. Investors are encouraged to consult their own tax advisors regarding the federal, state, local and foreign tax considerations applicable to an investment in the Preferred Stock.

This discussion reflects current federal income tax laws and regulations and administrative and judicial interpretations thereof. Changes to any of these subsequent to the date of this Offering Circular may affect the tax consequences described herein.

## **Dividends**

### *Current Law*

Distributions on the Preferred Stock which are paid out of current earnings and profits, or earnings and profits accumulated after 1984, generally constitute dividends taxable as ordinary income. To the extent that the amount of any distribution paid on a share of Preferred Stock exceeds the current or accumulated earnings and profits for federal income tax purposes attributable to that share, such excess will be treated first as a return of capital (rather than as ordinary income) and will be applied against and reduce the holder's adjusted tax basis in that share of Preferred Stock. Any such amount in excess of the holder's adjusted tax basis will then be taxed as capital gain. For purposes of the remainder of this discussion, it is assumed that dividends paid with respect to the Preferred Stock will constitute dividends for U.S. federal income tax purposes.

Dividends received by corporations generally will be eligible for the dividends-received deduction. The dividends-received deduction is available only with respect to a dividend received on stock held for more than 45 days (or more than 90 days in the case of a dividend on preferred stock attributable to periods aggregating in excess of 366 days), including the day of disposition but not the day of acquisition. This holding period must be satisfied during the 90-day period (180-day period in the case of a preferred stock dividend attributable to periods aggregating in excess of 366 days) beginning on the date which is 45 (90) days before the date on which the stock becomes ex-dividend with respect to the dividend. The length of time that a corporate shareholder is deemed to have held stock for these purposes is reduced for periods during which the shareholder's risk of loss with respect to the stock is diminished by reason of the existence of certain options, contracts to sell, short sales or other similar transactions. The amount of such deduction generally will equal 70 percent of the amount of the dividends received, subject to reduction in certain events, including where a holder has indebtedness outstanding that is directly attributable to an investment in the Preferred Stock. For this purpose, indebtedness of a depository institution attributable to deposits received in the ordinary course of its business is not treated as indebtedness directly attributable to an investment in the Preferred Stock.

For purposes of the corporate alternative minimum tax, alternative minimum taxable income is increased by 75 percent of the amount by which a corporation's adjusted current earnings exceeds its alternative minimum taxable income prior to the addition of the applicable tax preference item. The amount of any dividend that is included in a corporate shareholder's adjusted current earnings will not be reduced by any dividends-received deduction otherwise allowable with respect to that dividend.

### *Recent Proposal*

On February 1, 1999, the Clinton Administration submitted to Congress a revenue proposal that would eliminate the dividends-received deduction for dividends on nonqualified preferred stock, as defined in section 351(g) of the Code. This proposal applies to nonqualified preferred stock issued on or after the date of enactment. It is not clear whether the Preferred Stock constitutes nonqualified preferred stock. It is not possible to predict whether this or a similar proposal will be enacted and, if it is enacted, whether it will apply retroactively.

## **Dispositions, Including Redemptions**

Any sale, exchange, redemption (except as discussed below) or other disposition of the Preferred Stock generally will result in taxable gain or loss equal to the difference between the amount received and the shareholder's adjusted tax basis in the Preferred Stock. Such gain or loss generally will be capital gain or loss and will be long-term capital gain or loss if the holding period for the Preferred Stock exceeds one year.

A redemption of Preferred Stock may be treated as a dividend, rather than as payment in exchange for the Preferred Stock, unless the redemption is "not essentially equivalent to a dividend" with respect to the holder within the meaning of section 302(b)(1) of the Code. In applying this standard, the holder must take into account not only the Preferred Stock and other stock of Freddie Mac that it owns directly, but also the Preferred Stock and other stock of Freddie Mac that it constructively owns within the meaning of section 318 of the Code. A redemption payment made to a holder will be "not essentially equivalent to a dividend" if it results in a "meaningful reduction" in the holder's aggregate stock interest in Freddie Mac. Because of the

ambiguities in applying this rule, each holder should consult its own tax advisor to determine whether a redemption of Preferred Stock will be treated as a dividend or as payment in exchange for the Preferred Stock. If the redemption payment is treated as a dividend, the rules discussed above under “Dividends” apply.

**Information Reporting and Backup Withholding**

Payments of dividends on shares of Preferred Stock held of record by U.S. persons other than corporations and other exempt holders are required to be reported to the IRS.

Backup withholding of U.S. federal income tax at a rate of 31 percent may apply to payments made with respect to shares of Preferred Stock, as well as payments of proceeds from the sale of shares of Preferred Stock, to holders that are not “exempt recipients” and that fail to provide certain identifying information (such as the taxpayer identification number of the holder) in the manner required. Individuals generally are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients.

**LEGAL INVESTMENT CONSIDERATIONS**

Investors should consult their own legal advisors to determine whether and to what extent the shares of Preferred Stock constitute legal investments for such investors and whether and to what extent the shares of Preferred Stock can be used as collateral for various types of borrowings. In addition, financial institutions should consult their legal advisors or regulators in determining the appropriate treatment of the shares of Preferred Stock under any applicable risk-based capital or similar rules. Institutions whose investment activities are subject to legal investment laws and regulations or to review by regulatory authorities may be subject to restrictions on investments in the shares of Preferred Stock. An institution under the jurisdiction of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, the National Credit Union Administration, the Department of the Treasury or any other federal or state agency with similar authority should review any applicable regulations, policy statements and guidelines before purchasing or pledging the shares of Preferred Stock.

**UNDERWRITING**

Subject to the terms and conditions set forth in an underwriting agreement (the “Underwriting Agreement”), the Corporation has agreed to sell to each of the Underwriters named below, and each of the Underwriters, for whom Goldman, Sachs & Co. is acting as representative, has severally agreed to purchase from the Corporation the respective number of shares of Preferred Stock set forth opposite its name below.

| <u>Underwriter</u>                             | <u>Number of Shares<br/>of Preferred Stock</u> |
|--|--|
| Goldman, Sachs & Co. ....                      | 3,000,000                                      |
| Blaylock & Partners, L.P. ....                 | 500,000  |
| First Tennessee Bank National Association..... | 500,000  |
| Lehman Brothers Inc. ....                      | 500,000  |
| Salomon Smith Barney Inc. ....                 | <u>500,000</u>                                 |
| Total.....                                     | <u><u>5,000,000</u></u>                        |

Under the terms of the Underwriting Agreement, the several Underwriters are committed to take and pay for all of the shares of Preferred Stock offered hereby, if any are taken.

The Underwriters propose to offer the Preferred Stock in part directly to the public at the initial offering price set forth on the cover page of this Offering Circular and in part to certain dealers at such price less a concession not in excess of \$0.30 per share. The Underwriters may allow, and such dealers may reallow, a concession not in excess of \$0.25 per share on sales to certain brokers and dealers. After the shares of Preferred Stock are released for sale to the public, the Underwriters may vary the offering price and other selling terms from time to time.

The Corporation has granted the Underwriters an option exercisable for seven days after the date of this Offering Circular to purchase up to an aggregate of 750,000 additional shares of Preferred Stock solely to cover overallocments, if any. If the Underwriters exercise their overallocation option, the Underwriters have severally agreed, subject to certain conditions, to purchase approximately the same percentage thereof that the number of shares to be purchased by each of them, as shown in the foregoing table, bears to the 5 million shares of Preferred Stock offered.

Prior to this offering, there has been no public market for the Preferred Stock. Application has been made to list the Preferred Stock on the NYSE. Trading of the Preferred Stock on the NYSE is expected to commence within a fourteen-day period after the initial delivery of the Preferred Stock. The Underwriters have advised the Corporation that they intend to make a market in the Preferred Stock prior to the commencement of trading on the NYSE, but are not obliged to do so and may discontinue any such market making at any time without notice.

In connection with the offering, the Underwriters may purchase and sell the Preferred Stock in the open market. These transactions may include overallocation and stabilizing transactions and purchases to cover syndicate short positions created in connection with the offering. Stabilizing transactions consist of certain bids or purchases for the purpose of preventing or retarding a decline in the market price of the Preferred Stock; and syndicate short positions involve the sale by the Underwriters of a greater number of shares of Preferred Stock than they are required to purchase from Freddie Mac in the offering. The Underwriters also may impose a penalty bid, whereby selling concessions allowed to syndicate members or other broker-dealers in respect of the securities sold in the offering for their account may be reclaimed by the syndicate if such shares of Preferred Stock are repurchased by the Underwriters in stabilizing or covering transactions. These activities may stabilize, maintain or otherwise affect the market price of the Preferred Stock, which may be higher than the price that might otherwise prevail in the open market; and these activities, if commenced, may be discontinued at any time. These transactions may be effected on the NYSE, in the over-the-counter market or otherwise.

The Corporation has agreed to indemnify the Underwriters against certain liabilities in connection with the offering and sale of the Preferred Stock.

Certain of the Underwriters, dealers or agents may engage in transactions with, and perform services for, the Corporation in the ordinary course of business.

The Corporation may request the Underwriters to provide information relating to the Preferred Stock that they sell, including the identities of investors that have purchased Preferred Stock.

## RATING

Moody's has assigned the Preferred Stock a rating of "aa3." A rating of "aa" is the second highest rating that Moody's assigns to preferred stock. An issue which is rated "aa" is considered by Moody's to be a "high-grade preferred stock." According to Moody's, this rating indicates that "there is a reasonable assurance the earnings and asset protection will remain relatively well maintained in the foreseeable future." The numerical modifier "3" indicates that the issue ranks in the lower end of the generic rating category of "aa." S&P has assigned the Preferred Stock a rating of "AA-." A rating of "AA" is the second highest rating that S&P assigns to preferred stock. An issue which is rated "AA" is considered by S&P to be a "high-quality, fixed-income security." According to S&P, this rating indicates that "the capacity to pay preferred stock dividends is very strong, although not as overwhelming as for issues rated AAA." The addition of the minus (-) sign indicates that the issue ranks in the lower end of the generic rating category "AA." A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating organization.



### **INDEPENDENT PUBLIC ACCOUNTANTS**

The Consolidated Financial Statements of the Corporation included in the Information Statement have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their report with respect thereto.

### **LEGAL MATTERS**

The validity of the Preferred Stock will be passed upon for the Corporation by Maud Mater, Esq., Executive Vice President-General Counsel and Secretary of the Corporation. As of July 15, 1999, Ms. Mater was the beneficial owner of 78,497 shares of Common Stock and options covering an additional 136,417 shares of Common Stock. Certain legal matters relating to the Preferred Stock will be passed upon for the Underwriters by Cleary, Gottlieb, Steen & Hamilton.

## FREDDIE MAC

**CERTIFICATE OF CREATION, DESIGNATION, POWERS,  
PREFERENCES, RIGHTS, PRIVILEGES, QUALIFICATIONS,  
LIMITATIONS, RESTRICTIONS, TERMS AND CONDITIONS  
of  
5.79% NON-CUMULATIVE PREFERRED STOCK  
(Par Value \$1.00 Per Share)**

I, MAUD MATER, Secretary of the Federal Home Loan Mortgage Corporation, a government-sponsored enterprise of the United States of America (“Freddie Mac” or the “Corporation”), do hereby certify that, pursuant to authority vested in the Board of Directors of Freddie Mac by Section 306(f) of the Federal Home Loan Mortgage Corporation Act, as amended (12 U.S.C. §1455(f)), the Board of Directors adopted FHLMC Resolution 99-07 on March 5, 1999 and adopted FHLMC Resolution 98-32 on September 11, 1998, which resolutions are now, and at all times since their respective dates have been, in full force and effect, and that the Chairman and Chief Executive Officer, pursuant to the authority delegated to him by such resolutions, approved the final terms of the public issuance and sale of the preferred stock of Freddie Mac designated above.

The 5.79% Non-Cumulative Preferred Stock shall have the following designation, powers, preferences, rights, privileges, qualifications, limitations, restrictions, terms and conditions:

**1. Designation, Par Value, Number of Shares and Seniority**

The class of preferred stock of Freddie Mac created hereby (the “Non-Cumulative Preferred Stock”) shall be designated “5.79% Non-Cumulative Preferred Stock,” shall have a par value of \$1.00 per share and shall consist of 5 million shares.\* The Board of Directors shall be permitted to increase the authorized number of such shares at any time. The Non-Cumulative Preferred Stock shall rank prior to the Voting Common Stock of Freddie Mac (the “Common Stock”) to the extent provided in this Certificate and shall rank, both as to dividends and upon liquidation, on a parity with the 5.1% Non-Cumulative Preferred Stock issued on March 19, 1999, the 5.3% Non-Cumulative Preferred Stock issued on October 28, 1998, the Variable Rate, Non-Cumulative Preferred Stock issued on September 23, 1998 and September 29, 1998, the 5.1% Non-Cumulative Preferred Stock issued on September 23, 1998, the 5% Non-Cumulative Preferred Stock issued on March 23, 1998, the 5.81% Non-Cumulative Preferred Stock issued on October 27, 1997, the 6.14% Non-Cumulative Preferred Stock issued on June 3, 1997, the 6.125% Non-Cumulative Preferred Stock issued on November 1, 1996 and the Variable Rate, Non-Cumulative Preferred Stock issued on April 26, 1996 (collectively, the “Existing Preferred Stock”).

**2. Dividends**

(a) The holders of outstanding shares of Non-Cumulative Preferred Stock shall be entitled to receive, ratably, when, as and if declared by the Board of Directors, in its sole discretion, out of funds legally available therefor, non-cumulative, cash dividends at the annual rate of 5.79%, or \$2.895, per share of Non-Cumulative Preferred Stock. Dividends on the Non-Cumulative Preferred Stock shall accrue from but not including July 21, 1999 and are payable when, as and if declared by the Board of Directors quarterly on March 31, June 30, September 30 and December 31 of each year (each, a “Dividend Payment Date”) commencing on September 30, 1999. If a Dividend Payment Date is not a “Business Day,” the related dividend shall be paid on the next Business Day with the same force and effect as though paid on the Dividend Payment Date, without any increase to account for the period from such Dividend Payment Date through the date of actual payment. For these purposes, “Business Day” means a day other than (i) a Saturday or Sunday, (ii) a day on which New York City banks are closed or (iii) a day on which the offices of Freddie Mac are closed. The

\* Plus up to 750,000 additional shares pursuant to Underwriters’ overallotment option.

“Dividend Period” relating to a Dividend Payment Date shall be the period from but not including the preceding Dividend Payment Date (or from but not including July 21, 1999, in the case of the first Dividend Payment Date) through and including the related Dividend Payment Date. The dividend payable in respect of the first Dividend Period will be \$0.554875 per share. The amount of dividends payable in respect of any quarterly Dividend Period other than the first Dividend Period shall be computed at a rate equal to 5.79% divided by 4; the amount of dividends payable in respect of any shorter period shall be computed on the basis of twelve 30-day months and a 360-day year. Each such dividend shall be paid to the holders of record of outstanding shares of the Non-Cumulative Preferred Stock as they appear in the books and records of Freddie Mac on such record date as shall be fixed in advance by the Board of Directors, not to be earlier than 45 days nor later than 10 days preceding the applicable Dividend Payment Date. No dividends shall be declared or paid or set apart for payment on the Common Stock or any other class or series of stock ranking junior to or (except as hereinafter provided) on a parity with the Non-Cumulative Preferred Stock with respect to the payment of dividends unless dividends have been declared and paid or set apart (or ordered by the Board of Directors to be set apart) for payment on the outstanding Non-Cumulative Preferred Stock in respect of the then-current Dividend Period; provided, however, that the foregoing dividend preference shall not be cumulative and shall not in any way create any claim or right in favor of the holders of Non-Cumulative Preferred Stock in the event that Freddie Mac shall not have declared or paid or set apart (or the Board of Directors shall not have ordered to be set apart) dividends on the Non-Cumulative Preferred Stock in respect of any prior Dividend Period. In the event that Freddie Mac shall not pay any one or more dividends or any part thereof on the Non-Cumulative Preferred Stock, the holders of the Non-Cumulative Preferred Stock shall not have any claim in respect of such non-payment so long as no dividend is paid on any junior or parity stock in violation of the next preceding sentence.

(b) If, prior to January 21, 2001, one or more amendments to the Internal Revenue Code of 1986, as amended (the “Code”), are enacted that reduce the percentage of the dividends-received deduction as specified in section 243(a)(1) of the Code or any successor provision (the “Dividends-Received Percentage”), certain adjustments may be made in respect of the dividends payable by the Corporation, and Post Declaration Date Dividends and Retroactive Dividends (as such terms are defined below) may become payable, as described below.

The amount of each dividend payable (if declared) per share of Non-Cumulative Preferred Stock for dividend payments made on or after the effective date of such change in the Code will be adjusted by multiplying the amount of the dividend payable pursuant to clause (a) of this Section 2 (before adjustment) by a factor, which shall be the number determined in accordance with the following formula (the “DRD Formula”), and rounding the result to the nearest cent (with one-half cent rounded up):

$$\frac{1-.35(1-.70)}{1-.35(1-DRP)}$$

For the purposes of the DRD Formula, “DRP” means the Dividends-Received Percentage (expressed as a decimal) applicable to the dividend in question; *provided, however*, that if the Dividends-Received Percentage applicable to the dividend in question is less than 50%, then the DRP will equal .50. No amendment to the Code, other than a change in the percentage of the dividends-received deduction set forth in section 243(a)(1) of the Code or any successor provision, or a change in the percentage of the dividends-received deduction for certain categories of stock, which change is applicable to the Preferred Stock, will give rise to an adjustment.

Notwithstanding the foregoing provisions, if, with respect to any such amendment, the Corporation receives either an unqualified opinion of nationally recognized independent tax counsel selected by the Corporation or a private letter ruling or similar form of assurance from the Internal Revenue Service (the “IRS”) to the effect that such an amendment does not apply to a dividend payable on the Non-Cumulative Preferred Stock, then such amendment shall not result in the adjustment provided for pursuant to the DRD Formula with respect to such dividend. The opinion referenced in the previous sentence shall be based upon the legislation amending or establishing the DRP or upon a published pronouncement of the IRS addressing such legislation. Unless the context otherwise requires, references to dividends herein shall mean dividends as

adjusted by the DRD Formula. The Corporation's calculation of the dividends payable as so adjusted shall be final and not subject to review.

Notwithstanding the foregoing, if any such amendment to the Code is enacted after the dividend payable on a Dividend Payment Date has been declared but before such dividend is paid, the amount of the dividend payable on such Dividend Payment Date shall not be increased. Instead, additional dividends (the "Post Declaration Date Dividends"), equal to the excess, if any, of (x) the product of the dividend paid by the Corporation on such Dividend Payment Date and the DRD Formula (where the DRP used in the DRD Formula would be equal to the greater of the Dividends-Received Percentage applicable to the dividend in question and .50) over (y) the dividend paid by the Corporation on such Dividend Payment Date, shall be payable (if declared) to holders of Non-Cumulative Preferred Stock on the record date applicable to the next succeeding Dividend Payment Date, in addition to any other amounts payable on such date.

If any such amendment to the Code is enacted and the reduction in the Dividends-Received Percentage retroactively applies to a Dividend Payment Date as to which the Corporation previously paid dividends on the Non-Cumulative Preferred Stock (each, an "Affected Dividend Payment Date"), the Corporation shall pay (if declared) additional dividends (the "Retroactive Dividends") to holders on the record date applicable to the next succeeding Dividend Payment Date (or, if such amendment is enacted after the dividend payable on such Dividend Payment Date has been declared, to holders on the record date applicable to the second succeeding Dividend Payment Date following the date of enactment) in an amount equal to the excess of (x) the product of the dividend paid by the Corporation on each Affected Dividend Payment Date and the DRD Formula (where the DRP used in the DRD Formula would be equal to the greater of the Dividends-Received Percentage and .50 applied to each Affected Dividend Payment Date) over (y) the sum of the dividend paid by the Corporation on each Affected Dividend Payment Date. The Corporation will make only one payment of Retroactive Dividends for any such amendment. Notwithstanding the foregoing provisions, if, with respect to any such amendment, the Corporation receives either an unqualified opinion of nationally recognized independent tax counsel selected by the Corporation or a private letter ruling or similar form of assurance from the IRS to the effect that such amendment does not apply to a dividend payable on an Affected Dividend Payment Date for the Non-Cumulative Preferred Stock, then such amendment will not result in the payment of Retroactive Dividends with respect to such Affected Dividend Payment Date. The opinion referenced in the previous sentence must be based upon the legislation amending or establishing the DRP or upon a published pronouncement of the IRS addressing such legislation.

In the event that the amount of dividends payable per share of the Non-Cumulative Preferred Stock is adjusted pursuant to the DRD Formula and/or Post Declaration Date Dividends or Retroactive Dividends are to be paid, the Corporation will give notice of each such adjustment and, if applicable, any Post Declaration Date Dividends and Retroactive Dividends to be given as soon as practicable to the holders of Non-Cumulative Preferred Stock.

(c) Notwithstanding any other provision of this Certificate, the Board of Directors, in its discretion, may choose to pay dividends on the Non-Cumulative Preferred Stock without the payment of any dividends on the Common Stock or any other class or series of stock from time to time outstanding ranking junior to the Non-Cumulative Preferred Stock with respect to the payment of dividends.

(d) No dividend shall be declared or paid or set apart for payment on any shares of the Non-Cumulative Preferred Stock if at the same time any arrears or default exists in the payment of dividends on any outstanding class or series of stock of Freddie Mac ranking prior to or (except as provided herein) on a parity with the Non-Cumulative Preferred Stock with respect to the payment of dividends. If and whenever dividends, having been declared, shall not have been paid in full, as aforesaid, on shares of the Non-Cumulative Preferred Stock and on the shares of any other class or series of stock of Freddie Mac ranking on a parity with the Non-Cumulative Preferred Stock with respect to the payment of dividends, all such dividends that have been declared on shares of the Non-Cumulative Preferred Stock and on the shares of any such other class or series shall be paid pro rata, so that the respective amounts of dividends paid per share on the Non-Cumulative Preferred Stock and on such other class or series shall in all cases bear to each other the same ratio that the respective amounts of dividends declared but unpaid per share on the shares of the

Non-Cumulative Preferred Stock (including any adjustments due to changes in the Dividends-Received Percentage) and on the shares of such other class or series bear to each other.

(e) Holders of shares of the Non-Cumulative Preferred Stock shall not be entitled to any dividends, in cash or in property, other than as herein provided and shall not be entitled to interest, or any sum in lieu of interest, on or in respect of any dividend payment.

### **3. Optional Redemption**

(a) The Non-Cumulative Preferred Stock shall not be redeemable prior to June 30, 2009. Subject to this limitation and to any further limitations which may be imposed by law, Freddie Mac may redeem the Non-Cumulative Preferred Stock, in whole or in part, at any time or from time to time, out of funds legally available therefor, at the redemption price of \$50.00 per share plus an amount, determined in accordance with Section 2 above, equal to the amount of the dividend, if any, otherwise payable for the then-current Dividend Period accrued through and including the date of such redemption. If less than all of the outstanding shares of the Non-Cumulative Preferred Stock are to be redeemed, Freddie Mac shall select shares to be redeemed from the outstanding shares not previously called for redemption by lot or pro rata (as nearly as possible) or by any other method which Freddie Mac in its sole discretion deems equitable.

(b) In the event Freddie Mac shall redeem any or all of the Non-Cumulative Preferred Stock as aforesaid, notice of such redemption shall be given by Freddie Mac by first class mail, postage prepaid, mailed neither less than 30 nor more than 60 days prior to the redemption date, to each holder of record of the shares of the Non-Cumulative Preferred Stock being redeemed, at such holder's address as the same appears in the books and records of Freddie Mac. Each such notice shall state the number of shares being redeemed, the redemption price, the redemption date and the place at which such holder's certificate(s) representing shares of the Non-Cumulative Preferred Stock must be presented for cancellation or exchanges, as the case may be, upon such redemption. Failure to give notice, or any defect in the notice, to any holder of the Non-Cumulative Preferred Stock shall not affect the validity of the proceedings for the redemption of shares of any other holder of Non-Cumulative Preferred Stock being redeemed.

(c) Notice having been mailed as aforesaid, from and after the redemption date specified therein and upon payment of the consideration set forth in Section 3(a) above, said shares of the Non-Cumulative Preferred Stock shall no longer be deemed to be outstanding, and all rights of the holders thereof as holders of the Non-Cumulative Preferred Stock shall cease, with respect to shares so redeemed.

(d) Any shares of the Non-Cumulative Preferred Stock which shall have been redeemed shall, after such redemption, no longer have the status of authorized, issued or outstanding shares.

### **4. No Voting Rights**

Except as set forth in Section 9(h) below, the shares of the Non-Cumulative Preferred Stock shall not have any voting powers, either general or special.

### **5. No Conversion or Exchange Rights**

The holders of shares of the Non-Cumulative Preferred Stock shall not have any right to convert such shares into or exchange such shares for any other class or series of stock or obligations of Freddie Mac.

### **6. No Preemptive Rights**

No holder of the Non-Cumulative Preferred Stock shall as such holder have any preemptive right to purchase or subscribe for any other shares, rights, options or other securities of any class of Freddie Mac which at any time may be sold or offered for sale by Freddie Mac.

### **7. Liquidation Rights and Preference**

(a) Except as otherwise set forth herein, upon the voluntary or involuntary dissolution, liquidation or winding up of Freddie Mac, after payment of or provision for the liabilities of Freddie Mac and the expenses of

such dissolution, liquidation or winding up, the holders of the outstanding shares of the Non-Cumulative Preferred Stock shall be entitled to receive out of the assets of Freddie Mac available for distribution to stockholders, before any payment or distribution shall be made on the Common Stock or any other class or series of stock of Freddie Mac ranking junior to the Non-Cumulative Preferred Stock upon liquidation, the amount of \$50.00 per share plus an amount, determined in accordance with Section 2 above, equal to the dividend, if any, otherwise payable for the then-current Dividend Period accrued through and including the date of payment in respect of such dissolution, liquidation or winding up, and the holders of the outstanding shares of any class or series of stock of Freddie Mac ranking on a parity with the Non-Cumulative Preferred Stock upon liquidation shall be entitled to receive out of the assets of Freddie Mac available for distribution to stockholders, before any such payment or distribution shall be made on the Common Stock or any other class or series of stock of Freddie Mac ranking junior to the Non-Cumulative Preferred Stock and to such parity stock upon liquidation, any corresponding preferential amount to which the holders of such parity stock may, by the terms thereof, be entitled; provided, however, that if the assets of Freddie Mac available for distribution to stockholders shall be insufficient for the payment of the full amounts to which the holders of the outstanding shares of the Non-Cumulative Preferred Stock and the holders of the outstanding shares of such parity stock shall be entitled to receive upon such dissolution, liquidation or winding up of Freddie Mac as aforesaid, then, subject to paragraph (b) of this Section 7, all of the assets of Freddie Mac available for distribution to stockholders shall be distributed to the holders of outstanding shares of the Non-Cumulative Preferred Stock and to the holders of outstanding shares of such parity stock pro rata, so that the amounts so distributed to holders of the Non-Cumulative Preferred Stock and to holders of such classes or series of such parity stock, respectively, shall bear to each other the same ratio that the respective distributive amounts to which they are so entitled (including any adjustment due to changes in the Dividends-Received Percentage) bear to each other. After the payment of the aforesaid amounts to which they are entitled, the holders of outstanding shares of the Non-Cumulative Preferred Stock and the holders of outstanding shares of any such parity stock shall not be entitled to any further participation in any distribution of assets of Freddie Mac.

(b) Notwithstanding the foregoing, upon the dissolution, liquidation or winding up of Freddie Mac, the holders of shares of the Non-Cumulative Preferred Stock then outstanding shall not be entitled to be paid any amounts to which such holders are entitled pursuant to paragraph (a) of this Section 7 unless and until the holders of any classes or series of stock of Freddie Mac ranking prior upon liquidation to the Non-Cumulative Preferred Stock shall have been paid all amounts to which such classes or series are entitled pursuant to their respective terms.

(c) Neither the sale of all or substantially all of the property or business of Freddie Mac, nor the merger, consolidation or combination of Freddie Mac into or with any other corporation or entity, shall be deemed to be a dissolution, liquidation or winding up for the purpose of this Section 7.

## **8. Additional Classes or Series of Stock**

The Board of Directors shall have the right at any time in the future to authorize, create and issue, by resolution or resolutions, one or more additional classes or series of stock of Freddie Mac, and to determine and fix the distinguishing characteristics and the relative rights, preferences, privileges and other terms of the shares thereof. Any such class or series of stock may rank prior to or on a parity with or junior to the Non-Cumulative Preferred Stock as to dividends or upon liquidation or otherwise.

## **9. Miscellaneous**

(a) Any stock of any class or series of Freddie Mac shall be deemed to rank:

(i) prior to the shares of the Non-Cumulative Preferred Stock, either as to dividends or upon liquidation, if the holders of such class or series shall be entitled to the receipt of dividends or of amounts distributable upon dissolution, liquidation or winding up of Freddie Mac, as the case may be, in preference or priority to the holders of shares of the Non-Cumulative Preferred Stock;

(ii) on a parity with shares of the Non-Cumulative Preferred Stock, either as to dividends or upon liquidation, whether or not the dividend rates or amounts, dividend payment dates or redemption of liquidation prices per share, if any, be different from those of the Non-Cumulative Preferred Stock, if the

holders of such class or series shall be entitled to the receipt of dividends or of amounts distributable upon dissolution, liquidation or winding up of Freddie Mac, as the case may be, in proportion to their respective dividend rates or amounts or liquidation prices, without preference or priority, one over the other, as between the holders of such class or series and the holders of shares of the Non-Cumulative Preferred Stock; and

(iii) junior to shares of the Non-Cumulative Preferred Stock, either as to dividends or upon liquidation, if such class or series shall be Common Stock, or if the holders of shares of the Non-Cumulative Preferred Stock shall be entitled to receipt of dividends or of amounts distributable upon dissolution, liquidation or winding up of Freddie Mac, as the case may be, in preference or priority to the holders of shares of such class or series.

(b) Freddie Mac and any agent of Freddie Mac may deem and treat the holder of a share or shares of Non-Cumulative Preferred Stock, as shown in Freddie Mac's books and records, as the absolute owner of such share or shares of Non-Cumulative Preferred Stock for the purpose of receiving payment of dividends in respect of such share or shares of Non-Cumulative Preferred Stock and for all other purposes whatsoever, and neither Freddie Mac nor any agent of Freddie Mac shall be affected by any notice to the contrary. All payments made to or upon the order of any such person shall be valid and, to the extent of the sum or sums so paid, effectual to satisfy and discharge liabilities for moneys payable by Freddie Mac on or with respect to any such share or shares of Non-Cumulative Preferred Stock.

(c) The shares of the Non-Cumulative Preferred Stock, when duly issued, shall be fully paid and non-assessable.

(d) The Non-Cumulative Preferred Stock shall be issued, and shall be transferable on the books of Freddie Mac, only in whole shares, it being intended that no fractional interests in shares of Non-Cumulative Preferred Stock shall be created or recognized by Freddie Mac.

(e) For purposes of this Certificate, the term "Freddie Mac" means the Federal Home Loan Mortgage Corporation and any successor thereto by operation of law or by reason of a merger, consolidation or combination.

(f) This Certificate and the respective rights and obligations of Freddie Mac and the holders of the Non-Cumulative Preferred Stock with respect to such Non-Cumulative Preferred Stock shall be construed in accordance with and governed by the laws of the United States, provided that the law of the Commonwealth of Virginia shall serve as the federal rule of decision in all instances except where such law is inconsistent with Freddie Mac's enabling legislation, its public purposes or any provision of this Certificate.

(g) Any notice, demand or other communication which by any provision of this Certificate is required or permitted to be given or served to or upon Freddie Mac shall be given or served in writing addressed (unless and until another address shall be published by Freddie Mac) to Freddie Mac, 8200 Jones Branch Drive, McLean, Virginia 22102, Attn: Executive Vice President-General Counsel and Secretary. Such notice, demand or other communication to or upon Freddie Mac shall be deemed to have been sufficiently given or made only upon actual receipt of a writing by Freddie Mac. Any notice, demand or other communication which by any provision of this Certificate is required or permitted to be given or served by Freddie Mac hereunder may be given or served by being deposited first class, postage prepaid, in the United States mail addressed (i) to the holder as such holder's name and address may appear at such time in the books and records of Freddie Mac or (ii) if to a person or entity other than a holder of record of the Non-Cumulative Preferred Stock, to such person or entity at such address as appears to Freddie Mac to be appropriate at such time. Such notice, demand or other communication shall be deemed to have been sufficiently given or made, for all purposes, upon mailing.

(h) Freddie Mac, by or under the authority of the Board of Directors, may amend, alter, supplement or repeal any provision of this Certificate pursuant to the following terms and conditions:

(i) Without the consent of the holders of the Non-Cumulative Preferred Stock, Freddie Mac may amend, alter, supplement or repeal any provision of this Certificate to cure any ambiguity, to correct or supplement any provision herein which may be defective or inconsistent with any other provision herein,

or to make any other provisions with respect to matters or questions arising under this Certificate, provided that such action shall not materially and adversely affect the interests of the holders of the Non-Cumulative Preferred Stock.

(ii) The consent of the holders of at least 66 2/3% of all of the shares of the Non-Cumulative Preferred Stock at the time outstanding, given in person or by proxy, either in writing or by a vote at a meeting called for the purpose at which the holders of shares of the Non-Cumulative Preferred Stock shall vote together as a class, shall be necessary for authorizing, effecting or validating the amendment, alteration, supplementation or repeal of the provisions of this Certificate if such amendment, alteration, supplementation or repeal would materially and adversely affect the powers, preferences, rights, privileges, qualifications, limitations, restrictions, terms or conditions of the Non-Cumulative Preferred Stock. The creation and issuance of any other class or series of stock, or the issuance of additional shares of any existing class or series of stock of Freddie Mac (including the Non-Cumulative Preferred Stock), whether ranking prior to, on a parity with or junior to the Non-Cumulative Preferred Stock, shall not be deemed to constitute such an amendment, alteration, supplementation or repeal.

(iii) Holders of the Non-Cumulative Preferred Stock shall be entitled to one vote per share on matters on which their consent is required pursuant to subparagraph (ii) of this paragraph (h). In connection with any meeting of such holders, the Board of Directors shall fix a record date, neither earlier than 60 days nor later than 10 days prior to the date of such meeting, and holders of record of shares of the Non-Cumulative Preferred Stock on such record date shall be entitled to notice of and to vote at any such meeting and any adjournment. The Board of Directors, or such person or persons as it may designate, may establish reasonable rules and procedures as to the solicitation of the consent of holders of the Non-Cumulative Preferred Stock at any such meeting or otherwise, which rules and procedures shall conform to the requirements of any national securities exchange on which the Non-Cumulative Preferred Stock may be listed at such time.

**(i) RECEIPT AND ACCEPTANCE OF A SHARE OR SHARES OF THE NON-CUMULATIVE PREFERRED STOCK BY OR ON BEHALF OF A HOLDER SHALL CONSTITUTE THE UNCONDITIONAL ACCEPTANCE BY THE HOLDER (AND ALL OTHERS HAVING BENEFICIAL OWNERSHIP OF SUCH SHARE OR SHARES) OF ALL OF THE TERMS AND PROVISIONS OF THIS CERTIFICATE. NO SIGNATURE OR OTHER FURTHER MANIFESTATION OF ASSENT TO THE TERMS AND PROVISIONS OF THIS CERTIFICATE SHALL BE NECESSARY FOR ITS OPERATION OR EFFECT AS BETWEEN FREDDIE MAC AND THE HOLDER (AND ALL SUCH OTHERS).**

IN WITNESS WHEREOF, I have hereunto set my hand and the seal of Freddie Mac this 21st day of July, 1999.

[Seal]

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Maud Mater, *Secretary*



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No person has been authorized to give any information or make any representations other than those contained in this Offering Circular, and, if given or made, such information or representations must not be relied upon as having been authorized. This Offering Circular does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Preferred Stock or an offer to sell or the solicitation of an offer to buy Preferred Stock in any circumstance in which such offer or solicitation is unlawful. Neither the delivery of this Offering Circular nor any sale made hereunder shall, under any circumstances, create an implication that there has been no change in the affairs of the Corporation since the date hereof or, in the case of facts set forth in the Information Statement incorporated by reference herein, since the respective dates thereof or that the information contained herein or therein is correct as of any time subsequent thereto.

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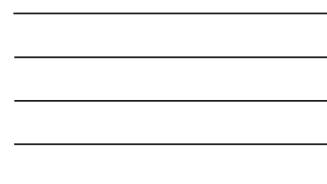
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**5,000,000 Shares**

# Freddie Mac

**5.79% Non-Cumulative  
Preferred Stock  
(Liquidation Preference  
\$50.00 Per Share)**



**Goldman, Sachs & Co.  
Blaylock & Partners, L.P.  
First Tennessee Bank N.A.  
Lehman Brothers  
Salomon Smith Barney**

July 16, 1999