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Freddie Mac
8200 Jones Branch Drive
McLean, Virginia 22102

TO THE STOCKHOLDERS OF FREDDIE MAC

July 12, 2006

Dear Freddie Mac Stockholder:

We are pleased to invite you to attend Freddie Mac's annual stockholders' meeting to be held on Friday, September 8, 2006, at 9:00 a.m. at the Freddie Mac campus, 8000 Jones Branch Drive, McLean, Virginia 22102. The Proxy Statement and Notice of Annual Meeting of Stockholders accompanying this letter describes the business to be transacted at the meeting. This Proxy Statement and the accompanying proxy card are first being mailed to stockholders on July 12, 2006.

We hope you will be able to attend the annual meeting and urge you to read the enclosed Proxy Statement and Notice, as well as the accompanying Information Statement and Annual Report to Stockholders and the audited financial statements included in the Annual Report, for information about Freddie Mac and the annual meeting. Please complete, sign and return the enclosed proxy card, or vote by Internet or by telephone, at your earliest convenience. Sending your proxy card, or voting by Internet or by telephone, will not affect your right to vote your shares personally if you do attend the meeting. Please indicate whether you plan to attend the meeting on the proxy card.

Sincerely,

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

Richard F. Syron
Chairman of the Board and Chief Executive Officer

FEDERAL HOME LOAN MORTGAGE CORPORATION

PROXY STATEMENT AND NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

Our annual meeting of stockholders will be held on Friday, September 8, 2006, at 9:00 a.m. at the Freddie Mac office located at 8000 Jones Branch Drive, McLean, Virginia 22102, for the purposes of:

- (1) electing 13 members to our Board of Directors, each for a term ending on the date of our next annual meeting;
- (2) ratifying the appointment by the Audit Committee of our Board of Directors of PricewaterhouseCoopers LLP as our independent auditors for the fiscal year ending December 31, 2006;
- (3) voting on a proposal submitted by a stockholder; and
- (4) transacting any other business that may properly come before the meeting or any adjournment thereof.

RECORD DATE

June 30, 2006 is the record date for the annual meeting. This means that owners of Freddie Mac common stock at the close of business on that date are entitled to receive notice of the meeting, and vote at the meeting or any meeting adjournment.

Stockholders of record on the record date will be admitted to the meeting with photo identification and verification of stock ownership (as described in "Annual Meeting Admission" below).

WHO MAY ATTEND THE MEETING

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

ANNUAL MEETING ADMISSION

Registration begins at 8:00 a.m. A valid photo identification and proof of stock ownership must be presented in order to attend the meeting.

If your shares are registered in your name, you should bring the bottom half of the proxy card, which is your admission ticket. If you hold Freddie Mac stock in the name of a broker, trust, bank or other nominee ("street name"), you must bring a copy of an account statement reflecting your stock ownership as of the record date. If you plan to attend as the proxy of a stockholder, you must present valid proof of proxy. Cameras, recording devices and other electronic devices are not permitted at the meeting.

WEBCAST OF THE MEETING

If you are not able to attend the meeting in person, you may listen to a live webcast of the meeting on the Internet by visiting <http://www.freddie.mac.com/investors> at 9:00 a.m. on Friday, September 8, 2006. You will not be able to ask questions unless you attend the meeting in person.

SECURITY AND PARKING AT THE MEETING

The annual meeting will be held at the Freddie Mac campus. The campus consists of several buildings, so please take note that 8000 Jones Branch Drive is the building where the meeting will be held.

Reserved parking will be available for annual meeting attendees. Security measures will require that photo identification and your admission ticket or proof of stock ownership (as described in "Annual Meeting Admission" above) be presented to the security guard in order to access the reserved parking area.

Our Board of Directors recommends that you vote **“FOR”** the election of directors and the ratification of the appointment of our independent auditors and **“AGAINST”** the stockholder proposal.

Your vote is important. Please vote your proxy promptly so your shares can be represented at the annual meeting, even if you plan to attend the annual meeting. You can vote by Internet, by telephone, or by using the enclosed proxy card. Please see your proxy card for specific instructions on how to vote.

Our proxy tabulator, Computershare Trust Company N.A., must receive any proxy that will not be delivered in person to the annual meeting by 11:59 p.m., eastern time, on Thursday, September 7, 2006.

You have the power to revoke a proxy at any time before its exercise by giving the Corporate Secretary of Freddie Mac written notice of your revocation, by submitting a later dated proxy or by voting the shares in person at the annual meeting.

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

By Order of the Board of Directors,



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

Dated: July 12, 2006
McLean, Virginia

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ABOUT THE MEETING

Who is soliciting my vote?

The Board of Directors of Freddie Mac is soliciting your vote on proposals being submitted to our annual meeting of stockholders to be held on September 8, 2006.

What am I voting on?

You will be voting on the following three items:

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

The Board is not aware of any other matters to be presented for a vote at the annual meeting.

Who is entitled to vote?

Holders of record of our common stock, par value \$0.21 per share, as of the close of business on June 30, 2006, the record date, are entitled to vote at the annual meeting. As of June 12, 2006, there were 691,326,563 votes that could be cast at the annual meeting by all stockholders, consisting of one vote for each share of Freddie Mac common stock outstanding as of such date. We have no other outstanding classes of stock that are entitled to vote at the annual meeting.

How many votes do I have?

Stockholders entitled to vote have one vote on all matters for each share of Freddie Mac common stock they owned on the record date. There is no cumulative voting. For purposes of determining the number of votes cast with respect to any voting matter, only those votes cast “for” or “against” are counted; “votes withheld” and “abstentions” are not counted.

How do I vote by proxy?

Stockholders can vote by proxy in three ways: by Internet; by telephone; or by mail (using the enclosed proxy card). Please see your proxy card or the information provided to you by your bank, trust, broker or other holder of record for more information on how to vote by proxy. If you vote by proxy, your shares will be voted at the annual meeting in the manner you indicate.

What if I hold shares indirectly?

If you hold shares in a stock brokerage account or through a bank, trust or other nominee, you are considered to be the beneficial owner of shares held in “street name” and these proxy materials are being forwarded to you by your broker or nominee. You may not vote directly any shares held in “street name”; however, as the beneficial owner you have the right to direct your broker or nominee on how to vote your shares.

If you hold shares in “street name” and you want to attend or vote in person at the annual meeting, you must bring to the meeting proof of stock ownership, such as an account statement or a proxy or letter from your broker or nominee which confirms that you are the beneficial owner of those shares.

About the Meeting

Can I change my vote after I return my proxy card?

Yes. You can change or revoke your proxy by Internet, by telephone or by mail at any time before the annual meeting, regardless of the method by which you previously cast your vote.

Can I vote in person at the annual meeting?

Yes. However, we encourage you to vote by Internet, by telephone, or by completing and returning the enclosed proxy card to ensure that your shares are represented and voted.

How many votes must be present to hold the annual meeting?

Your shares are counted as present at the annual meeting if you attend the meeting or if you properly return a proxy by mail, by telephone or by Internet. To conduct the meeting, a majority of our outstanding shares of common stock as of June 30, 2006 must be present in person or by proxy at the meeting. This is referred to as a quorum. Abstentions and broker or nominee non-votes will be counted for purposes of establishing a quorum at the annual meeting. See “Will my shares be voted if I do not return my proxy or attend the annual meeting?” below for more information on voting by brokers and nominees. If a quorum is not present, the meeting will be adjourned until a quorum is present. We urge you to vote by proxy even if you plan to attend the annual meeting so that we will know as soon as possible that enough votes will be present for us to hold the meeting.

How many votes are needed to approve Freddie Mac’s proposals?

The 13 nominees for director who receive the greatest number of “for” votes will be elected as directors. This number is called a plurality. Shares not voted will have no impact on the election of directors. If you properly return a proxy, your proxy will be voted “for” each of the nominees for director unless your proxy is marked “vote withheld” as to a particular nominee or nominees for director.

The ratification of the appointment of PricewaterhouseCoopers as our independent auditors for the fiscal year ending December 31, 2006 and the adoption of the stockholder proposal each requires a majority of the votes cast at the meeting to be voted “for” such proposal. A properly executed proxy marked “abstain” with respect to either proposal will not be counted as a vote cast for such proposal.

Does any stockholder control as much as 5% of any class of Freddie Mac’s voting stock?

Yes. Based on a review of beneficial ownership reports as of December 31, 2005 that are filed with us and that are the equivalent of Schedule 13G and 13D reports filed with the Securities and Exchange Commission, or the SEC, and in reliance on updates to those reports based on a review of Form 13F filings with the SEC, as of March 31, 2006, Capital Research and Management Company, 333 South Hope Street, 55th Floor, Los Angeles, CA 90071-1447, beneficially owned 62,220,000 shares, or 9.0%, of our outstanding common stock. We are unaware of any other stockholders beneficially owning more than 5% of our outstanding common stock.

How will voting on any other business be conducted?

We currently do not know of any business to be considered at the annual meeting other than the proposals described in this Proxy Statement. If any other business is properly presented at the annual meeting, your signed proxy gives authority to the named proxies to vote your shares on such matters at their discretion.

About the Meeting

Is my vote confidential?

Yes. Proxy cards, ballots, telephone votes, Internet votes and voting tabulations that identify individual stockholders are confidential. Only certain employees who collect the proxy cards and ballots at the annual meeting, or who receive and review telephone and Internet votes, and the inspectors of election who process proxy cards, ballots, telephone votes and Internet votes and count the votes will have access to your proxy card, ballot, telephone vote or Internet vote.

Who will count the vote?

Representatives of Computershare Trust Company, N.A., our transfer agent, will tabulate the votes and act as inspectors of election.

Will my shares be voted if I do not return my proxy or attend the annual meeting?

Your shares may be voted on certain types of proposals if they are held in the name of a brokerage firm or nominee, even if you do not provide the brokerage firm or nominee with voting instructions. Brokerage firms and nominees have the authority under New York Stock Exchange, or NYSE, rules to vote shares for which their customers do not provide voting instructions on certain “routine” matters. The election of directors and the ratification of PricewaterhouseCoopers as our independent auditors for fiscal year 2006 are considered routine matters for which brokerage firms and nominees may vote shares for which they have not received voting instructions. This is called a “broker vote.” The stockholder proposal is not considered a routine matter under NYSE rules.

If your broker or nominee does not have discretion to vote your shares held in the name of the brokerage firm or other nominee on a particular proposal because it is not considered to be a routine matter, and you do not give your broker or nominee instructions on how to vote your shares, the votes will be “broker non-votes.” We count broker non-votes for quorum purposes, but we do not count broker non-votes (or abstentions) as votes “for” or “against” the proposals to be acted on at the annual meeting.

If you do not vote shares registered in your name, your shares will not be voted.

What if I return my proxy card but do not provide voting instructions?

Proxy cards that are signed and returned but do not contain instructions on how you want your shares voted will be voted:

- “for” the election of each of the 13 nominees for director;
- “for” the ratification of PricewaterhouseCoopers as our independent auditors for the fiscal year ending December 31, 2006;
- “against” the stockholder proposal included in these proxy materials;
- in accordance with the recommendation of the Board on any other stockholder proposal; and
- in accordance with the best judgment of the named proxies on any other matters properly brought before the meeting.

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

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

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

How do I sign up to receive proxy materials electronically?

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

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

What if I vote “abstain”?

Abstentions will be treated as shares present and entitled to vote for purposes of determining the presence of a quorum. Abstentions do not constitute a vote “for” or “against” any matters and thus will have no effect on the outcome of a vote on a proposal.

What happens if the meeting is postponed or adjourned?

Your proxy will still be valid and may be voted at the postponed or adjourned meeting. You will still be able to change or revoke your proxy until it is voted.

Does Freddie Mac provide for “householding” of proxy materials?

Yes. We have adopted a procedure for stockholders whose shares are held in street name called “householding,” pursuant to which stockholders of record who have the same address and the same last name and do not participate in electronic delivery of proxy materials will receive only one copy of our Proxy Statement and Annual Report unless one or more of these stockholders notifies us that they wish to continue receiving multiple copies. This procedure provides extra convenience for stockholders and a cost savings for us. Currently, we are not providing householding to stockholders whose shares are registered in their name.

If at any time you no longer wish to participate in householding and would prefer to receive a separate Proxy Statement and Annual Report, or if your shares are held in street name and you are receiving multiple copies of our Proxy Statement and Annual Report and wish to receive only one, please notify your bank, broker, trust or other holder of record. For more information, call or write to Freddie Mac at the contact information provided under “Availability of Annual Report” below.

Stockholders who participate in householding will continue to receive separate proxy cards. Householding will not in any way affect the mailing of dividend checks.

CORPORATE GOVERNANCE

We are committed to excellence in corporate governance and have taken measures to achieve this goal, as well as to meet the requirements of the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, the corporate governance regulations of the Office of Federal Housing Enterprise Oversight, or OFHEO, and the listing standards of the exchanges on which our securities are registered, including the NYSE and the Pacific Stock Exchange.

Corporate Governance Guidelines

In June 2006, the Board adopted revised Corporate Governance Guidelines, or the Guidelines, which are attached as Appendix A and are available on our Website at www.freddiemac.com/governance/pdf/gov_guidelines.pdf. Printed copies of the Guidelines also are available to any stockholder upon request to the Corporate Secretary, at the address specified below under “Contacting the Board.”

Director Independence

The non-employee members of the Board have determined that:

- With the exception of Richard F. Syron and Eugene M. McQuade, neither any member of the Board standing for election nor any nominee has a material relationship with Freddie Mac and all such members of the Board and nominees are independent within the meaning of both Section 303A.02 of the NYSE listing standards and the independence criteria set forth in Section 5 of our Guidelines.
- All current members of the Audit Committee, the Compensation and Human Resources Committee, or the CHRC, and the Governance, Nominating and Risk Oversight Committee, or the GNROC, are, and members of the Board to be appointed to those committees effective September 8, 2006 will be, independent within the meaning of Section 303A.02 of the NYSE listing standards and Sections 4 and 5 of our Guidelines. All current members of the Audit Committee also are, and members of the Board to be appointed to the Audit Committee effective September 8, 2006 also will be, independent within the meaning of Rule 10A-3 promulgated under the Securities Exchange Act of 1934, as amended, or the Exchange Act, and Section 303A.06 of the NYSE listing standards.

Mr. Syron is Chief Executive Officer of Freddie Mac as well as Chairman of the Board, and Mr. McQuade is President and Chief Operating Officer of Freddie Mac. Because Messrs. Syron and McQuade are each employees of Freddie Mac, neither of them is independent under the Guidelines or the NYSE listing standards.

Director Qualifications

OFHEO’s corporate governance regulations and the Guidelines impose a term limit of ten years and a retirement age of 72 for directors. The Board previously determined that the interests of Freddie Mac and its stockholders strongly support a transition period of service for directors who had served on the Board for more than ten years at the time the Guidelines were adopted, and would otherwise be required to leave the Board following the expiration of their current term. In particular, the Board has determined that Ronald F. Poe may be renominated for no more than one additional term beginning in September 2006. OFHEO has granted a waiver of the term limit provisions of its corporate governance regulations to permit Mr. Poe to be renominated for such additional term.

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

Audit Committee Financial Expert

We have a standing Audit Committee that satisfies the “audit committee” definition under Section 3(a)(58)(A) of the Exchange Act, the requirements of Rule 10A-3 promulgated under the Exchange Act and Section 303A.06 of the NYSE listed company manual. The current members of the Audit Committee are Richard Karl Goeltz, Thomas S. Johnson, Shaun F. O’Malley, Stephen A. Ross and William J. Turner.

Mr. Goeltz has been a member of the Audit Committee since March 31, 2004, and is currently its chairman. The Board has determined that Mr. Goeltz is independent within the meaning of Rule 10A-3 promulgated under the Exchange Act, and that he is an “audit committee financial expert” under SEC regulations. However, Mr. Goeltz is not an auditor or accountant for Freddie Mac, does not perform field work and is not an employee of Freddie Mac. In accordance with the SEC’s safe harbor relating to audit committee financial experts, a person designated or identified as an audit committee financial expert will not be deemed an “expert” for purposes of the federal securities laws. In addition, such designation or identification does not impose on such person any duties, obligations or liabilities that are greater than those imposed on such person as a member of the Audit Committee and Board of Directors in the absence of such designation or identification and does not affect the duties, obligations or liabilities of any other member of the Audit Committee or Board of Directors.

Codes of Conduct

We have separate codes of conduct applicable to employees and to Board members that outline the principles, policies and laws governing their activities. The employee and Board codes were last revised in June 2005. Upon joining Freddie Mac or its Board, all employees and directors, respectively, are required to sign acknowledgements that they have read the applicable code and agree to abide by it. In addition, all employees and directors must respond to an annual questionnaire concerning code compliance. The employee code also serves as the code of ethics for senior financial officers required by the Sarbanes-Oxley Act. Copies of our employee and director codes of conduct are available, and any amendments or waivers that would be required to be disclosed are posted, on our Website at www.freddiemac.com. Printed copies of the codes of conduct also are available to any stockholder upon request to the Corporate Secretary, at the address specified below under “Contacting the Board.”

Chairman of the Board

Mr. Syron has served as Chairman of the Board since December 31, 2003. Under our bylaws, the Chairman of the Board is elected annually by the Board at its meeting following the annual meeting.

Under the terms of Mr. Syron’s employment agreement, so long as Mr. Syron remains Chief Executive Officer, the Board will nominate him as a director and, provided he is elected as a director, will elect him to serve as Chairman of the Board. In addition to the customary duties of Chief Executive Officer and Chairman, Mr. Syron has agreed to actively assist us in developing a succession plan for his replacement as Chief Executive Officer prior to December 31, 2008. Upon the appointment of a successor, Mr. Syron will cease to be Chief Executive Officer but will remain Chairman of the Board through December 31, 2008. For more information about Mr. Syron’s

employment agreement, see “Executive Compensation — Employment and Separation Agreements — *Richard F. Syron*” below.

Consistent with a consent order we entered into with OFHEO, we have committed to OFHEO to separate the positions of Chairman and Chief Executive Officer within a reasonable period of time.

Effective September 1, 2004, Mr. McQuade was appointed President and Chief Operating Officer of Freddie Mac. Pursuant to the terms of his employment agreement, if someone other than Mr. McQuade is appointed to succeed Mr. Syron as our Chief Executive Officer, or Mr. McQuade is not appointed Chief Executive Officer by September 1, 2007, then under certain conditions, Mr. McQuade may terminate his employment with us for good reason and he will receive certain payments and benefits as a result. For more information about Mr. McQuade’s employment agreement and Chief Executive Officer succession terms, see “Executive Compensation — Employment and Separation Agreements — *Eugene M. McQuade*” below.

Lead Director

The non-employee directors have established the position of Lead Director, whose responsibilities include assisting the Chairman of the Board in developing the agenda for Board meetings; reviewing the Board’s governance procedures and policies, including working with the Chairman to develop and monitor committee charters and assignments; and chairing meetings of the Board held among the non-employee directors. The Lead Director is elected annually by a majority of the non-employee directors at the Board meeting following the annual meeting. Mr. O’Malley is currently the Lead Director, and his term as Lead Director expires at the Board meeting following this annual meeting. We will announce the results of the election of the Lead Director following his or her election.

Contacting the Board

To contact our Board, please send your comments in writing to Corporate Secretary, Freddie Mac, 8200 Jones Branch Drive, McLean, Virginia 22102. All comments or complaints relating to our accounting, internal accounting controls or auditing matters will be forwarded to the Chair of the Audit Committee, for treatment in a manner consistent with the Audit Committee’s complaint policy for such matters, and to the Lead Director. All other comments will be forwarded to the Lead Director. Comments indicating that they are to be submitted to the Lead Director or to the Audit Committee Chair anonymously or confidentially will be treated accordingly. You will receive a written acknowledgement from the Corporate Secretary upon receipt of your comment, unless it is anonymous. Please refer to our Website at www.freddiemac.com for more information on our Board and how to contact our Board members.

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

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

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

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

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

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

Beneficial Ownership. We have only one class of voting stock, which is common stock. The following table shows the beneficial ownership of our common stock as of June 1, 2006 by our current directors, director nominees, all named executive officers (as that term is defined in "Executive Compensation — Compensation Tables — *Summary Compensation Table*" below), all of our directors and executive officers as a group, and holders of more than 5% of our common stock. Beneficial ownership is determined in accordance with SEC rules for computing the number of shares of common stock beneficially owned by a person and the percentage ownership of that person. As of June 1, 2006, each director, director nominee and named executive officer, and all of our directors and executive officers as a group, owned less than 1% of our outstanding common stock. The information presented below is based on information provided to us by the individuals or entities specified in the table.

As of June 1, 2006

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

5% Holder***

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

Common Stock Beneficially Owned

62,220,000⁽¹¹⁾

Percent of Class

9.0%

* Includes shares of stock beneficially owned as of June 1, 2006. Also includes restricted stock units vesting within 60 days of June 1, 2006. A restricted stock unit represents a conditional contractual right to receive one share of Freddie Mac common stock at a specified future date. Restricted stock units are not considered legally issued or outstanding shares and, therefore, do not have voting rights. Restricted stock units have dividend equivalent rights that entitle the grantee to dividend equivalents on each share of common stock subject to the grant in the amount of dividends per share payable on our outstanding shares of common stock. For non-employee directors, (i) these dividend equivalents are accrued as additional restricted stock units to be settled at the same time as the underlying restricted stock units, are not subject to a vesting schedule, and are settled irrespective of whether the underlying restricted stock units vest, and (ii) all dividend equivalents in the above table are scheduled to settle in common stock as of the date of this annual meeting.

** Not nominated for reelection.

*** We require that beneficial owners of more than 5% of our common stock report the amount of their ownership interest and certain other information to us. All persons who have filed such a report to date are identified in this table. To enforce compliance with the reporting requirement, we may deny beneficial owners who have failed to file the required report the right to vote any shares in excess of the 5% threshold. Any shares as to which voting rights are denied will not be counted as outstanding shares for determining whether a quorum exists or whether a majority of shares has been voted for or against any proposal.

- (1) Figures are based on our records as of June 1, 2006.
- (2) Includes 2,014 restricted stock units and 115 dividend equivalents on restricted stock units.
- (3) Includes 1,608 restricted stock units and 43 dividend equivalents on restricted stock units.
- (4) Includes 882 restricted stock units and 17 dividend equivalents on restricted stock units.
- (5) Includes 393 restricted stock units and 7 dividend equivalents on restricted stock units.
- (6) Includes 2,345 restricted stock units and 121 dividend equivalents on restricted stock units.
- (7) Includes 1,230 restricted stock units and 45 dividend equivalents on restricted stock units. Also includes 9,071 shares held by Mr. Poe's spouse, as to which Mr. Poe disclaims beneficial ownership.
- (8) Includes 3,857 restricted stock units and 337 dividend equivalents on restricted stock units.
- (9) Includes 20,034 restricted stock units and 685 dividend equivalents on restricted stock units.
- (10) In addition to the persons shown in the table, this group includes our Executive Vice President — General Counsel and Corporate Secretary; our Executive Vice President — Community Relations; our Executive Vice President — Human Resources; our Senior Vice President — General Auditor; our Senior Vice President — Corporate Controller and Principal Accounting Officer; and all of our Senior Vice Presidents who reported directly to the Chairman and Chief Executive Officer or the President and Chief Operating Officer as of June 1, 2006.
- (11) Based on a review of beneficial ownership reports as of December 31, 2005 that are filed with us and that are the equivalent of Schedule 13G and 13D reports filed with the SEC, and in reliance on updates to those reports based on a review of Form 13F filings with the SEC, as of March 31, 2006, Capital Research & Management Company, 333 South Hope Street, 55th Floor, Los Angeles, CA 90071-1447, beneficially owned 62,220,000 shares, with sole voting power as to zero shares and sole dispositive power as to 62,220,000 shares.

PROPOSAL 1: ELECTION OF DIRECTORS

Director Nomination Process

Under its charter, the GNROC is responsible for recommending to the Board the slate of nominees to be proposed for election by the stockholders at our annual meeting and for reviewing proposals for nominations from stockholders that are submitted in accordance with the procedures summarized below. The GNROC comprises the following five directors, each of whom is independent under the Guidelines and the NYSE listing standards: Messrs. Boisi, Goeltz, O'Malley (Chair), Poe and Ross.

The GNROC has the authority to employ a variety of methods for identifying and evaluating potential Board nominees. Candidates for vacancies on the Board may come to the attention of the GNROC through several different means, including recommendations from Board members, senior management or professional search firms, stockholder nominations and other sources.

The GNROC considers all nominations submitted by stockholders that meet the eligibility requirements outlined in our bylaws. As required by our bylaws, stockholder nominations of candidates for election as directors must be submitted in writing to the Corporate Secretary, Freddie Mac, 8200 Jones Branch Drive, McLean, Virginia 22102 not less than 50 days or more than 75 days prior to the date of the annual meeting. Due to the timing of this annual meeting, and as announced in our press release dated June 1, 2006, the deadline for stockholder nominations of candidates for election as directors is July 20, 2006. As of the date of this proxy statement, we have not received any stockholder nominations of candidates for election as directors for this annual meeting. For information on what must be included in the written notice to nominate a candidate for election at the next annual meeting of stockholders, see "Stockholder Proposals and Nominations for Next Annual Meeting of Stockholders" below.

As stated in the Guidelines, our Board seeks candidates for election to the Board who have achieved a high level of stature, success and respect in their principal occupations. Directors must exemplify high standards of integrity and be committed both to our public mission and to the interests of our stockholders. We seek to have a diversity of talent on the Board. Candidates are selected for their character, judgment, experience and expertise. In addition, candidates must have the ability and time to commit to Board service. In selecting candidates for election to the Board, the Board also considers a director's independence under the independence standards that are a part of the Guidelines. These independence standards incorporate the independence standards set forth in the NYSE listed company manual. See "Corporate Governance Guidelines" above and Appendix A attached to this Proxy Statement.

Stockholder nominees to the Board will be evaluated by the GNROC based on the criteria specified above in the same way as a nominee recommended by the Board or management.

Nominees for Election

Our enabling legislation establishes the membership of our Board at 18 directors: 13 directors elected by the stockholders and 5 directors appointed by the President of the United States. All directors have the same duties and responsibilities and serve for a term ending on the date of the next annual meeting of stockholders. Thirteen directors are to be elected by stockholders at this meeting. Prior to our March 31, 2004 annual meeting, the Office of Counsel to the President informed us that the President did not intend to reappoint any of his then-current Presidential

appointees. Consequently, each of their terms as Presidential appointees ended on the date of that annual meeting. No new appointees have been named by the President as of the date of this Proxy Statement.

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

The Board expects each of its current members and each nominee, and any future Presidential appointee, to attend any Freddie Mac annual stockholders' meeting at which such person is standing for election or reelection or will begin a term as a Presidential appointee to the Board. Each of the eleven nominees for reelection to the Board attended the July 15, 2005 annual meeting. If any of the 13 nominees is unable or unwilling to serve on the date of the annual meeting or any adjournment of the meeting, the proxies received on behalf of that nominee will be voted for a substitute nominee. The Board has no reason to believe that any of the nominees will be unable or unwilling to serve if elected.

Unless stockholders specify otherwise in their proxies, proxies solicited by the Board will be voted "for" each of the 13 nominees for election named in this Proxy Statement. The 13 nominees who receive the greatest number of votes will be elected. No stockholder is entitled to cumulate his or her votes in the election of directors. Your proxy may not be voted for a greater number of persons than the 13 nominees named.

We recommend that you vote *for* each of the 13 nominees.

The nominees have provided the following information about their principal occupation, business experience and other matters.



BARBARA T. ALEXANDER

Director since 2004

Age 57

Ms. Alexander has been an independent consultant since January 2004. Prior to that, she was a Senior Advisor to UBS Warburg LLC and predecessor firms (UBS) from October 1999 to January 2004 and Managing Director of the North American Construction and Furnishings Group in the Corporate Finance Department of UBS from 1992 to October 1999. From 1987 to 1992, Ms. Alexander was a Managing Director in the Corporate Finance Department of Salomon Brothers Inc. From 1972 to 1987, she held various positions at Salomon Brothers, Smith Barney, Investors Diversified Services, and Wachovia Bank and Trust Company. Ms. Alexander is a member of the board of directors of Centex Corporation and Harrah's Entertainment, Inc., where she is chair of the Audit Committee. She also is an Executive Fellow at the Joint Center for Housing Studies at Harvard University and a member of the board of directors of HomeAid America.



GEOFFREY T. BOISI

Director since 2004

Age 59

Mr. Boisi has been Chairman and Senior Partner of Roundtable Investment Partners LLC, a private investment management firm, since March 2005. From 2000 to May 2002, Mr. Boisi was Vice Chairman of JP Morgan Chase, where he served as Co-Chief Executive Officer of JP Morgan, the firm's investment bank, and was a member of JP Morgan Chase's executive and management committees. From 1993 to 2000, he was the founding Chairman and Senior Partner of The Beacon Group, a merger and acquisition advisory and private investment firm. From 1971 to 1993, Mr. Boisi held various positions at Goldman Sachs & Company, including senior general partner, member of the firm's management committee and head of the investment banking business.



MICHELLE ENGLER

Director since 2001

Age 48

Ms. Engler is an attorney and is Trustee of the JNL Series Trust and the JNL Investor Series Trust, each an investment company, and has been a member of the board of managers of each of the JNL/NY Variable Funds since 2000. From 1992 to 2000, she was of counsel to the law firm of Varnum, Riddering, Schmidt & Howlett, a Grand Rapids, Michigan-based law firm. Prior to that, she was a partner in the Houston law firm of Nathan, Wood & Sommers. Ms. Engler served on our Board as a Presidential appointee from 2001 through March 31, 2004, when she was elected to our Board by the stockholders.



ROBERT R. GLAUBER

Nominee

Age 67

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



RICHARD KARL GOELTZ

Director since 2003

Age 63

Mr. Goeltz was Vice Chairman, Chief Financial Officer and Member of the Office of the Chief Executive of American Express Company from 1996 to 2000. Prior to that, he was Group Chief Financial Officer and a member of the Board of NatWest Group from 1992 to 1996. Mr. Goeltz also held various finance positions at The Seagram Company Ltd., including Executive Vice President-Finance and Chief Financial Officer, and at Exxon Corporation. He is a director of Warnaco Group, Inc., where he is Chair of the Audit Committee and a member of the Nominating and Corporate Governance Committee; a director of the New Germany Fund; and a director of Aviva plc, where he is a member of the Audit Committee and Chair of the Remuneration Committee. He also is a member of the Court of Governors and the Council of the London School of Economics and Political Science.

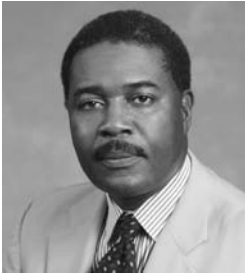


THOMAS S. JOHNSON

Director since 2004

Age 65

Mr. Johnson retired in September 2004 as Chairman and Chief Executive Officer of GreenPoint Financial Corporation, a national specialty mortgage lender and New York consumer banking company, following the acquisition of GreenPoint Financial by North Fork Bancorporation, Inc., with whom Mr. Johnson remained employed in a non-management capacity until December 31, 2004. Mr. Johnson had held the offices of Chairman and Chief Executive Officer of GreenPoint since 1993. He also was President of GreenPoint through 1997. Prior to that, he served as President and a director of Chemical Bank and Chemical Banking Corporation and then of Manufacturers Hanover Trust Company and Manufacturers Hanover Corporation. Mr. Johnson also is a director of Alleghany Corporation, where he is a member of the Audit Committee; RR Donnelley & Sons, Inc.; the Phoenix Companies, where he is Chairman of the Audit Committee; and North Fork Bancorporation.



WILLIAM M. LEWIS, JR.

Director since 2004

Age 50

Mr. Lewis is a Managing Director and Co-Chairman of Investment Banking at Lazard Ltd, a position he has held since April 2004. From 1978 to 1980 and from 1982 to April 2004, he held various positions at Morgan Stanley, most recently serving as Managing Director and Co-Head of the Global Banking Department from 1999 to 2004. Mr. Lewis also is a director of Darden Restaurants, Inc.



EUGENE M. McQUADE

Director since 2004

Age 57

Mr. McQuade was appointed President and Chief Operating Officer of Freddie Mac effective September 1, 2004. Prior to joining Freddie Mac, Mr. McQuade was President of Bank of America Corporation. He also served as President and Chief Operating Officer of FleetBoston Financial Corp., which merged with Bank of America on April 1, 2004. Mr. McQuade joined Fleet in 1992 and became Chief Financial Officer in 1993, Vice Chairman in 1997, and President and Chief Operating Officer in 2002. Prior to joining Fleet, Mr. McQuade was Executive Vice President and Controller of Manufacturers Hanover Corp. Mr. McQuade also is a director of XL Capital Ltd.



SHAUN F. O'MALLEY

Director since 2001
Lead Director since 2003

Age 71

Mr. O'Malley served as Non-executive Chairman of Freddie Mac from June to December 2003. Upon the appointment of Mr. Syron as Chairman and Chief Executive Officer of Freddie Mac in December 2003, Mr. O'Malley resigned his position as Non-executive Chairman and became the Lead Director. Mr. O'Malley retired from Price Waterhouse LLP in 1995, where he was Chairman and Senior Partner from 1988 to 1995. He also was president of the Financial Accounting Foundation from 1990 to 1992. Mr. O'Malley also serves on the Board of Directors of Horace Mann Educators Corporation, where he is chair of its Audit Committee, and on the Board of Directors of Philadelphia Consolidated Holding Corp., which does business as Philadelphia Insurance Companies, where he is a member of the Governance and Nominating Committee and the Compensation Committee.



JEFFREY M. PEEK

Director since 2006

Age 59

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



RONALD F. POE

Director since 1990

Age 67

Mr. Poe has been President of Ronald F. Poe & Associates, a private real estate investment firm, since 1998. In September 1998, he retired as Chairman of the Board and Chief Executive Officer of Legg Mason Dorman & Wilson, Inc., a real estate investment banking firm, where he had worked for 34 years. Mr. Poe also is a director of CPC Resources, Inc., the for-profit wholly owned subsidiary of Community Preservation Corporation, a not-for-profit corporation.



STEPHEN A. ROSS

Director since 1998

Age 62

Mr. Ross has been the Franco Modigliani Professor of Finance and Economics at the Massachusetts Institute of Technology since 1998 and has been, and continues to be, a consultant to a number of investment banks and major corporations. He also has been Chairman and Chief Executive Officer of Compensation Valuation, Inc., a company specializing in the valuation of complex option contracts and option valuation services, since April 2003; a member of the Advisory Council of Taconic Capital Partners LLC, an event-driven hedge fund, since January 2004; a director of IV Capital Ltd., a London-based investment company, since May 1998; and Chairman of the Investment Advisory Board of IV Capital since July 2004. Mr. Ross also was Co-Chairman of Roll and Ross Asset Management Corporation, an investment management company, from 1986 to July 2004. He previously was the Sterling Professor of Economics and Finance at Yale University from 1976 to 1998, and a Professor of Economics and Finance at the Wharton School of the University of Pennsylvania. Mr. Ross is a member of the Board of Trustees of the California Institute of Technology.



RICHARD F. SYRON

Director since 2003

Age 62

Mr. Syron was appointed Chairman of the Board and Chief Executive Officer of Freddie Mac in December 2003. Prior to joining Freddie Mac, Mr. Syron was the Executive Chairman of Thermo Electron Corporation from November 2002 to December 2003. Mr. Syron was named to the Board of Thermo Electron in 1997. He became Chairman in January 2000 and was Chief Executive Officer from June 1999 to November 2002. He also served as President of Thermo Electron from June 1999 to July 2000. Prior to joining Thermo Electron, he served as Chairman and Chief Executive Officer of the American Stock Exchange from 1994 to May 1999, President of the Federal Reserve Bank of Boston from 1989 to 1994, and President of the Federal Home Loan Bank of Boston from 1986 to 1989. Mr. Syron also is a director of Genzyme Corporation.

Meetings of the Board and Committees

The Board met 10 times in 2005 and four times during the period from January 1, 2006 through June 1, 2006. During 2005, each of the current directors attended at least 75% of the meetings of the Board and committees on which he or she served, and the non-employee directors met regularly in executive session without management.

The five current standing Board committees are the Audit Committee, the CHRC, the Finance and Capital Deployment Committee, the GNROC and the Mission and Sourcing Committee. The committee charters of each of the five current standing committees were revised in June 2006 and are available on our Website at www.freddiemac.com. Printed copies also are available to any stockholder on request to the Corporate Secretary, at the address specified above under “Contacting the Board.” The Audit Committee charter also is attached to this Proxy Statement as Appendix B.

In addition to these standing committees, a Special Derivative Litigation Committee (the “SDLC”) was created by the Board in December 2003 to investigate allegations and claims made in stockholder derivative litigation on behalf of stockholders against certain current and former executive officers and directors. For more information about this litigation, see NOTE 13: LEGAL CONTINGENCIES to the consolidated financial statements in the accompanying Annual Report.

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

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

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

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

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

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

The following is a description of the Board committees and their responsibilities as of the date of this Proxy Statement:

The Audit Committee's primary responsibility is to assist the Board in discharging its oversight responsibilities with respect to financial matters and compliance with laws and regulations. The committee's specific responsibilities with respect to its oversight of financial matters are: to appoint, evaluate, monitor the independence of, determine the compensation of, and, as the committee may deem it appropriate, terminate and replace our independent auditors; to review the independent auditors' report on the independent auditors' internal quality control procedures; to pre-approve any audit services, and any non-audit services permitted under applicable law, to be performed by our independent auditors; to review management's policies and guidelines governing the processes for assessing and managing Freddie Mac's risks; to meet in joint session with the Finance and Capital Deployment Committee to review Freddie Mac's major financial risk exposures and the steps management has taken to monitor and control such exposures; to oversee the integrity of our financial reporting processes and disclosure, including systems of control regarding finance, accounting, compliance with legal and regulatory requirements and programs for the detection and prevention of fraud; to hire, determine the compensation of, evaluate the performance of and decide whether to retain our Senior Vice President — General Auditor; and to assess the effectiveness of the internal auditors. The committee also conducts an annual evaluation of the committee's performance, including its oversight responsibilities described above.

Proposal 1: Election of Directors

The Audit Committee's purposes, duties and responsibilities under its charter include those specified in the NYSE listing standards for audit committees.

The CHRC's primary functions are: in consultation with senior management, to approve Freddie Mac's executive compensation philosophy; to approve the compensation of Freddie Mac's executive officers, including approving the goals and objectives relevant to determining the compensation of the CEO, evaluating the CEO's performance in light of those goals and objectives and such other factors as the CHRC deems relevant, and using that evaluation for purposes of determining the CEO's compensation; to approve cash incentive plans for non-executive officers; to review, approve, amend and/or terminate any stock-based compensation or benefit plan and any retirement plan, including Freddie Mac's pension plan and thrift plan; to review the management of our human resources; to recommend outside director compensation; to review plans, policies and procedures for management succession; and to conduct an annual evaluation of the CHRC's performance.

The CHRC's purposes, duties and responsibilities under its charter include those specified in the NYSE listing standards for compensation committees.

The Finance and Capital Deployment Committee's primary functions are: to review our capital requirements, management and allocation; to recommend dividends on our common and preferred stock for approval by the Board; to monitor our debt and mortgage-related securities activities; to monitor our investment, funding, liquidity and hedging strategies and activities; to monitor our asset/liability management techniques; to monitor enterprise risk metrics and limits; to meet in joint session with the Audit Committee to review Freddie Mac's major financial risk exposures and the steps management has taken to monitor and control such exposures; and to conduct an annual evaluation of the committee's performance.

The GNROC's members are the chairs of each of the other standing committees and, if the Lead Director is not one of the committee chairs, the Lead Director, and any other directors designated by the Board. Its primary functions are: to oversee corporate governance matters generally, including reviewing and recommending changes in our bylaws, our Guidelines, and the independence standards and qualifications for Board membership set forth in the Guidelines; to conduct an annual evaluation of the committee's performance and to oversee the annual evaluation of the performance of the Board and each of its other committees; to identify individuals qualified to be members of the Board and to recommend Board nominees; to review and make recommendations concerning the independence of Board members and to review the application to Board members of membership qualifications under the Guidelines; to review and make recommendations concerning membership on Board committees and on committee structure and responsibilities; to oversee enterprise-wide risk management strategies and governance, to review major enterprise risk exposures and to review the capabilities for and adequacy of resources allocated to enterprise risk management; to review management's proposed response to stockholder proposals submitted for inclusion in our Proxy Statement and make recommendations to the Board regarding responses to any such proposals; to oversee management of legislative and related matters; to review the activities of our political action committee; and to oversee our compliance with the consent order we have entered into with OFHEO.

The GNROC's purposes, duties and responsibilities under its charter include those specified in the NYSE listing standards for governance and nominating committees.

The Mission and Sourcing Committee's primary functions are: to monitor our mission-related activities; to monitor our mortgage purchase activities, including relationships with customers; to monitor significant mortgage purchase transactions; to monitor the risks associated with our mortgage purchase activities; to monitor the implementation of OFHEO's Mortgage Fraud Policy Guidance; and to conduct an annual evaluation of the committee's performance.

The SDLC's primary function is to conduct an investigation and evaluation of the allegations and claims set forth in the stockholder derivative litigation and related demand letters and determine what actions, if any, we should take in connection with such allegations and claims.

Board Compensation

The components of compensation for our non-employee directors are cash fees and stock awards that tie director compensation to the long-term value of Freddie Mac's common stock. Each director may defer receipt of cash fees and stock awards, as well as elect to convert cash fees into common stock under the Directors' Deferred Compensation Plan and the 1995 Directors' Stock Compensation Plan (the "Directors' Plan"). We do not have any pension or retirement plans for our non-employee directors. Employee directors do not receive any compensation for their Board service.

Effective January 1, 2006, the Board approved changes to the stock compensation paid to our non-employee directors for their service as directors. The following table shows the cash and equity compensation levels currently in effect and the levels that were in effect in 2005.

Non-Employee Director Compensation

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

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

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

Under the Directors' Deferred Compensation Plan (which is an unfunded, non-qualified plan), directors may elect to defer cash compensation for any number of years specified by the director. Cash deferred is credited to a director's account as of the date the amounts would have otherwise been paid to the director. Generally, for 2005 and prior years, elections under the Directors' Deferred Compensation Plan, as well as elections under the Directors' Plan to receive stock in lieu of cash, were required to be made by December 31 of the year preceding the year for which election was made.

Deferred compensation to be settled in cash is credited with interest compounded quarterly at the rate of: (i) 1% per annum in excess of the prime rate as reported by *The Wall Street Journal* on the first business day of each calendar year during the deferral period; or (ii) such other rate as is

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

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

Subject to earlier payment in the event of hardship withdrawals and terminations of Board membership (including disability or death), deferred compensation distributions are payable at the end of the deferral period in lump sums. Distributions may not be deferred beyond the earlier of a director's termination of membership on the Board, disability or death.

Equity Compensation. Under our Guidelines, non-employee director compensation should be weighted toward stock-based compensation to enhance alignment with stockholder interests, with either restricted stock units or other stock-based compensation constituting approximately 50% of total compensation. Typically, therefore, equity compensation constitutes approximately half of the economic value of total non-employee director compensation.

The exercise price of options granted to our non-employee directors is equal to the fair market value of a share of our common stock on the date of the grant. The number of restricted stock units and shares subject to a stock option is calculated by dividing the dollar amount of the award by the fair market value of our common stock on the grant date. "Date of grant" or "grant date" is the date as of which the grant of stock-based compensation is effective. Vesting with respect to both stock options and restricted stock units occurs in even increments over four terms on the Board, with 25% vesting at the end of every term of office, unless vesting is accelerated under certain circumstances, including death, disability or retirement from the Board.

The stock options granted to our non-employee directors have had dividend equivalent rights on each share underlying the option equal to the dividend per share declared and paid on our issued and outstanding shares of common stock. For stock options vested as of December 31, 2004, dividend equivalents are accrued and are payable in cash upon exercise or expiration of the option. The American Jobs Creation Act of 2004, or the Jobs Act, imposed significant new rules regarding deferred compensation, generally effective for deferred amounts that vest on or after January 1, 2005. In response to Internal Revenue Code Section 409A, which was added by the Jobs Act, the Board on November 30, 2005 approved a modification of the terms of certain outstanding stock options granted to members of the Board under the Directors' Plan in order to bring the terms of these stock options into compliance with Internal Revenue Code Section 409A. As a result, the terms of any stock option grant or portion thereof outstanding as of December 31, 2005 that was not vested as of December 31, 2004 (including stock options granted in 2005) were modified to remove the prior existing provisions regarding accrual of dividend equivalents. Dividend equivalents accrued through December 31, 2005 with respect to such stock options were distributed in a lump sum, and, thereafter, dividend equivalents with respect to such stock options will not accrue, but are being distributed as soon as practicable. In addition, under the revised policy under the Directors' Plan, dividend equivalents will no longer be granted in connection with awards of stock options to non-employee directors.

Dividend equivalents on restricted stock units granted to our non-employee directors are accrued as additional restricted stock units and are generally settled at the same time as the underlying restricted stock units. However, unlike the underlying restricted stock units, the dividend equivalents on restricted stock units are not subject to a vesting schedule and are settled irrespective of whether the underlying restricted stock units vest.

Stock Ownership Guidelines. Under the Guidelines, non-employee directors generally are expected to hold an investment of at least three times the annual Board retainer in our common stock within five years after joining the Board, unless the CHRC determines that it is unduly burdensome for a director to make such an investment. Because the current Board retainer is \$60,000, non-employee directors are expected to hold an investment of at least \$180,000. This requirement may be satisfied by holding common stock received through equity compensation upon exercise of stock options or lapsing of restrictions on restricted stock or restricted stock units.

Compensation Committee Interlocks and Insider Participation

None of the members of the Board who served on the CHRC during fiscal 2005 were officers or employees of Freddie Mac at any time during fiscal 2005, or at any other time. During fiscal 2005, no member of the CHRC was an executive officer of another entity on whose compensation committee or board of directors an executive officer of Freddie Mac served, or had any relationship otherwise requiring disclosure hereunder.

Transactions with Institutions Related to Directors

In the ordinary course of business, we were a party during 2005, and expect to continue to be a party during 2006, to certain business transactions with institutions affiliated with members of our Board. Management believes that the terms and conditions of the transactions were no more and no less favorable to us than the terms of similar transactions with unaffiliated institutions to which we are, or expect to be, a party. Those transactions that are required to be disclosed by SEC registrants under rules promulgated by the SEC are described below.

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

Legal Proceedings

For information about legal proceedings related to the restatement where one or more current or former executive officers or directors are or have been named parties, see NOTE 13: LEGAL CONTINGENCIES to the consolidated financial statements in the accompanying Annual Report.

Indemnification and Other Reimbursements of Directors, Officers and Employees

Our bylaws provide for indemnification and advancement of reasonable fees and expenses (including legal fees) to any director, officer or employee who is a party or threatened to be made a party to any action, suit or proceeding, whether civil, criminal, administrative or investigative and whether formal or informal, by reason of the fact that he or she is or was a director, officer or employee of Freddie Mac, although indemnification is not permitted in the case of willful misconduct, knowing violation of criminal law or improper personal benefit. Consistent with our bylaws, the Board has authorized, and has delegated authority to the GNROC over, the advancement of reasonable fees and expenses (including legal fees) incurred by our current and former directors, officers and employees in connection with certain legal proceedings described in NOTE 13: LEGAL CONTINGENCIES to the consolidated financial statements in the accompanying Annual Report.

In addition, the Board has authorized, and has delegated authority to the GNROC over, the reimbursement of reasonable fees and expenses (including legal fees) incurred by certain of our current or former directors, officers and employees who are interviewed or who provide testimony in certain internal or external investigations and proceedings in which they are not parties or are not threatened to be made parties (to whom we refer as information witnesses) and who, therefore, are not eligible for advancement or indemnification under our bylaws.

The GNROC has hired special outside counsel to make advancement and reimbursement determinations. Each current or former director, officer and employee receiving advancement under our bylaws or reimbursement as an information witness has executed a written undertaking to repay amounts ultimately determined to be ineligible for indemnification or reimbursement.

In connection with these legal proceedings and investigations, we have paid an aggregate of approximately \$37.1 million of advancements and reimbursements through June 1, 2006 for all current and former directors, officers and employees. We anticipate continuing to make additional advancements as provided for under our bylaws and to provide reimbursements to information witnesses in the remainder of 2006.

AUDIT COMMITTEE REPORT

The Audit Committee operates under a written charter most recently revised and approved by the Board in June 2006. As stated in the charter, the Audit Committee's primary responsibility is to assist the Board in discharging its oversight responsibilities with respect to financial matters and compliance with laws and regulations. The Audit Committee's specific responsibilities are summarized under "Proposal 1: Election of Directors — Meetings of the Board and Committees" above. A copy of the charter is included in this Proxy Statement as Appendix B and is available on our Website at www.freddiemac.com.

The Audit Committee currently comprises the following five directors: Messrs. Goeltz, Johnson, O'Malley, Ross and Turner. The Board has determined that each of these directors meets the independence requirements of the NYSE listing standards and our Guidelines. During the year ended December 31, 2005, the Audit Committee met 16 times. During the period January 1, 2006 through June 1, 2006 the Audit Committee met six times.

Mr. Goeltz is currently the Chairman of the Audit Committee and has been a member of the Audit Committee since March 31, 2004. The Board has determined that Mr. Goeltz has the requisite experience to qualify as an "audit committee financial expert" under the rules and regulations of the SEC and has designated him as such. However, Mr. Goeltz is not an auditor or accountant for Freddie Mac, does not perform field work and is not an employee of Freddie Mac. In accordance with the SEC's safe harbor relating to audit committee financial experts, a person designated or identified as an audit committee financial expert will not be deemed an "expert" for purposes of the federal securities laws. In addition, such designation or identification does not impose on such person any duties, obligations or liabilities that are greater than those imposed on such person as a member of the Audit Committee and Board of Directors in the absence of such designation or identification and does not affect the duties, obligations or liabilities of any other member of the Audit Committee or Board of Directors.

Management is responsible for the effectiveness of our internal control over financial reporting and the preparation of our consolidated financial statements in accordance with U.S. Generally Accepted Accounting Principles, or GAAP. Our independent auditors are responsible for performing an independent audit of our consolidated financial statements and for reporting, based on the results of their audit, whether the audited financial statements are fairly presented, in all material respects, in conformity with GAAP. The Audit Committee is responsible for overseeing the conduct of these activities and, subject to stockholder ratification, appointing our independent auditors. As stated above and in its charter (see Appendix B), the Audit Committee's role in this process is one of oversight. While the Audit Committee has the responsibilities and powers set forth in its charter, it is not the responsibility of the Audit Committee to prepare financial statements, or to determine that our financial statements and disclosures are complete and accurate and prepared in accordance with GAAP and applicable rules and regulations. These are the responsibilities of management. It is also not the responsibility of the Audit Committee to plan or conduct an independent audit of the financial statements. These are the responsibilities of our independent auditors. In carrying out its oversight responsibilities, the Audit Committee is not providing any expert, professional or special assurance as to our financial statements or any professional certification. The Audit Committee relies on the information provided and representations made to it by management, and also on the report on our consolidated financial statements that it receives from our independent auditors.

Audit Committee Report

In discharging its responsibilities relating to our internal controls, accounting and financial reporting policies and auditing practices, the Audit Committee discussed and reviewed with our independent auditors, PricewaterhouseCoopers, the overall scope and process for their audit. The Audit Committee regularly meets with PricewaterhouseCoopers, with and without management present, to discuss the results of their examination, their observations about our internal controls and the overall quality of our financial reporting.

The Audit Committee has discussed with PricewaterhouseCoopers the matters required to be discussed by Statement on Auditing Standards No. 61, as amended, *Communication with Audit Committees or Others with Equivalent Authority and Responsibility*. The Audit Committee also has received the written disclosures and the letter from PricewaterhouseCoopers that are required by Independence Standards Board Standard No. 1, *Independence Discussions with Audit Committees*, and has discussed with PricewaterhouseCoopers their independence from Freddie Mac and our management. As part of this review, the Audit Committee has considered whether the provision of non-audit services by PricewaterhouseCoopers to Freddie Mac in 2005 was consistent with maintaining PricewaterhouseCoopers' independence, and determined that it was.

The Audit Committee has reviewed and discussed with management our audited consolidated financial statements as of and for the fiscal year ended December 31, 2005.

The Audit Committee has also met with members of senior management and compliance, internal tax, finance, legal and internal audit personnel to discuss and review, among other things, the results of internal audit examinations, the scope and resources for the internal audit function, management's development and implementation of systems and programs for the detection and prevention of fraud, management's policies, guidelines and processes regarding the assessment and management of our risk exposures, OFHEO's annual report of examination regarding our safety and soundness, the status of litigation and investigations in which we are involved, our compliance with legal and regulatory requirements, and directors' and employees' compliance with our Codes of Conduct.

Based on the reviews, reports and discussions referred to above, the Audit Committee recommended to the Board that the audited financial statements referred to above be included in our Annual Report for the year ended December 31, 2005.

In addition, the Audit Committee has approved the appointment of PricewaterhouseCoopers as our independent auditors for the fiscal year ending December 31, 2006, and has submitted the appointment to the stockholders for ratification at this annual meeting. The Audit Committee pre-approved the terms of the audit services expected to be provided by our independent auditors for the fiscal year ending December 31, 2006.

This report is respectfully submitted by the members of the Audit Committee of the Board.

Richard Karl Goeltz, *Chairman*
Thomas S. Johnson
Shaun F. O'Malley
Stephen A. Ross
William J. Turner

EXECUTIVE OFFICERS

As of June 1, 2006, our executive officers are as follows:

<u>Name</u>	<u>Age</u>	<u>Year of Affiliation</u>	<u>Position</u>
Richard F. Syron	62	2003	Chairman and Chief Executive Officer
Eugene M. McQuade	57	2004	President and Chief Operating Officer
Robert E. Bostrom	53	2006	Executive Vice President, General Counsel and Corporate Secretary
Ralph F. Boyd, Jr.	49	2004	Executive Vice President, Community Relations
Patricia L. Cook	53	2004	Executive Vice President, Investments and Capital Markets
Paul G. George	55	2005	Executive Vice President, Human Resources
Joseph A. Smialowski	57	2004	Executive Vice President, Operations and Technology
Kirk Die	48	2006	Senior Vice President and General Auditor
James R. Egan	53	2006	Senior Vice President — Corporate Controller and Principal Accounting Officer
Michael C. May	47	1983	Senior Vice President, Multifamily Sourcing
Hollis S. McLoughlin	55	2004	Senior Vice President, External Relations
Paul E. Mullings	56	2005	Senior Vice President, Single Family Sourcing
Anurag Saksena	45	2005	Senior Vice President and Chief Enterprise Risk Officer
Robert Y. Tsien	53	2000	Senior Vice President, Mission Oversight and Development
Jerry Weiss	48	2003	Senior Vice President and Chief Compliance Officer

The following is a brief biographical description of each of our executive officers who are not also nominees for election to our Board of Directors.

Robert E. Bostrom was appointed Executive Vice President, General Counsel and Corporate Secretary in February 2006. Prior to joining us, Mr. Bostrom was the managing partner of the New York office of Winston & Strawn LLP, a member of that firm’s executive committee and head of its financial institutions practice. Mr. Bostrom originally joined Winston & Strawn in 1990. From 1992 until 1996, Mr. Bostrom served as Executive Vice President of Legal, Regulatory and Compliance and General Counsel of National Westminster Bancorp.

Ralph F. Boyd, Jr. was appointed Executive Vice President, Community Relations in February 2005. Prior to holding his current position, he served as our Executive Vice President, General Counsel and Corporate Secretary. Prior to joining us, Mr. Boyd was a senior partner with the law firm Alston & Bird LLP from August 2003 and was U.S. Assistant Attorney General and head of the Justice Department’s Civil Rights Division from July 2001 through July 2003. From 1997 to 2001, Mr. Boyd was counsel and subsequently a litigation and trial partner with Goodwin Procter LLP, and before that, he served for six years as an Assistant U.S. Attorney in Boston. He also was an associate at the law firm of Ropes & Gray in Boston from 1987 to 1991.

Patricia L. Cook was appointed Executive Vice President, Investments and Capital Markets in February 2005. Prior to holding her current position, she served as our Executive Vice President, Investments beginning in August 2004. Prior to joining us, Ms. Cook was Managing Director and Chief Investment Officer, Global Fixed Income at JPMorgan Fleming Asset Management from May 2003. Prior to joining JP Morgan Fleming, she was Managing Director and Chief Investment Officer, Fixed Income at Prudential Investment Management. From June 1991 to July 2001,

Executive Officers

Ms. Cook was Managing Director at Fisher Francis Trees and Watts. Prior to that, she worked in various management positions at Salomon Brothers, Inc from January 1979 to June 1991.

Paul G. George was appointed Executive Vice President, Human Resources in August 2005. Prior to joining us, Mr. George was Senior Executive Vice President of Human Resources at Wachovia Corp. from July 1999 through December 2004. Prior to that, he was a member of Waste Management Inc.'s interim management team from 1998 to 1999. He also served for approximately 9 years as Senior Vice President of Human Resources at United Airlines. Between 1985 and 1988 he was Vice President of Human Resources at Pacific Southwest Airlines. Prior to that he was a partner at Meserve, Mumper & Hughes, the second oldest law firm in Los Angeles.

Joseph A. Smialowski was appointed Executive Vice President, Operations and Technology in December 2004. Prior to joining us, Mr. Smialowski was Executive Vice President at Fleet Boston Financial from December 1998. Prior to that, he was Chief Information Officer at Sears, Roebuck and Co. from September 1993. Mr. Smialowski was also a partner at Price Waterhouse (now PricewaterhouseCoopers) during his tenure at the firm between 1984 and 1993. Early in his career, Mr. Smialowski held increasingly responsible management, technology and operations positions at Dennison Manufacturing, Xerox and The Hartford.

Kirk Die was appointed Senior Vice President and General Auditor in April 2006. Mr. Die joined us from MBNA, where he served in a series of increasingly responsible roles from 1993. Most recently, as a result of MBNA's merger with Bank of America, he was the audit executive responsible for the combined Card Services Division. Prior to the merger, he was Senior Executive Vice President and Corporate General Auditor of MBNA. Prior to becoming Corporate General Auditor, Mr. Die managed the Operational, Business Development and Financial Audit Departments of MBNA. Prior to that, Mr. Die was a manager with Coopers & Lybrand (now PricewaterhouseCoopers).

James R. Egan was appointed Senior Vice President — Corporate Controller and Principal Accounting Officer in April 2006. Prior to joining us, Mr. Egan was Executive Vice President and Controller for MBNA America Bank from February 2003. Prior to his time at MBNA, Mr. Egan was Senior Vice President, Finance at U.S. Bancorp from 1996 until being appointed as Senior Vice President and Director of Tax in 1999, a position he held until leaving U.S. Bancorp in January 2003. From 1988 to 1996, Mr. Egan held various accounting and financial management positions at First Chicago NBD Corporation. Mr. Egan was an accountant with Price Waterhouse (now PricewaterhouseCoopers) from 1980 until 1988 and with Grant Thornton from 1976 until 1980.

Michael C. May was appointed Senior Vice President, Multifamily Sourcing in August 2005. Immediately prior to his appointment, Mr. May had served as our Senior Vice President, Operations starting in February 2005. He also served as Senior Vice President, Mortgage Sourcing, Operations & Funding from October 2003 to February 2005. Prior to that, Mr. May held the positions of Senior Vice President, Single Family Operations from July 2002 to October 2003 and Senior Vice President, Project Enterprise from January 2001 to July 2002. Mr. May also held various positions at our company since joining us in 1983, including Senior Vice President, Customer Services and Control, Vice President of Loan Prospector and Vice President of Structured Finance.

Hollis S. McLoughlin was appointed Senior Vice President, External Relations in January 2006. Prior to that, Mr. McLoughlin served as Senior Vice President and Chief of Staff from April

Executive Officers

2004 to January 2006. From 1998, Mr. McLoughlin was Chief Operating Officer of two private equity-backed operating companies. Before that, he was one of the founding partners of Darby Overseas, a private equity partnership based in Washington, D.C. He has also been a senior executive at Purolator Courier, an overnight delivery company, and a privately held transportation company. From 1989 through 1992, Mr. McLoughlin served as Assistant Secretary of the Treasury under former President George H. W. Bush. He served as Chief of Staff to Sen. Nicholas Brady, R-N.J., in 1982 and to Rep. Millicent Fenwick, R-N.J., from 1975 to 1979.

Paul E. Mullings was appointed Senior Vice President, Single Family Sourcing in July 2005. Before joining us, Mr. Mullings was Senior Vice President of JPMorgan Chase and Mortgage Finance and Fair Lending Executive at Chase Home Finance. Prior to joining Chase Home Finance in 1997, Mr. Mullings was President and Chief Executive Officer of Mortgage Electronic Registration Systems, Inc. Mr. Mullings was also President and Chief Executive Officer of the residential mortgage division of First Interstate Bank, Los Angeles. Prior to First Interstate, he held a series of increasingly responsible senior management positions at Glendale Federal Bank, Glendale, California.

Anurag Saksena was appointed Senior Vice President and Chief Enterprise Risk Officer in August 2005. Prior to joining us, Mr. Saksena led Enterprise Risk Management at General Motors Acceptance Corporation from July 1999 to December 2004. In addition, Mr. Saksena founded Enterprise Risk Advisors, LLC. He has also held risk and portfolio management positions of increasing responsibility at Société Générale in New York, Royal Bank Financial Group in Toronto and Great-West Life Assurance Company in Winnipeg.

Robert Y. Tsien was appointed Senior Vice President, Mission Oversight and Development in April 2004. Prior to that, he served as Senior Vice President, Production in the Multifamily Division from October 2003, and as our Chief Credit Officer from September 2001 to October 2003. Mr. Tsien joined us as Vice President of Multifamily Risk Management in April 2000. Prior to joining us, Mr. Tsien was director of risk management and securitization pricing at Titanium Investment Company.

Jerry Weiss was appointed Senior Vice President and Chief Compliance Officer in October 2003. Prior to joining us, Mr. Weiss worked from 1990 at Merrill Lynch Investment Managers, most recently as First Vice President and Global Head of Compliance. From 1982 to 1990, Mr. Weiss was with a national law practice in Washington, D.C., where he specialized in securities regulation and corporate finance matters.

REPORT OF THE CHRC ON EXECUTIVE COMPENSATION

This report addresses the compensation policies of Freddie Mac applicable to our executive officers during fiscal year 2005. A primary responsibility of the CHRC is to oversee our executive compensation program. The CHRC is composed exclusively of non-employee directors, all of whom are independent within the meaning of the NYSE listing standards and our Guidelines. The five members of the CHRC are Ms. Engler and Messrs. Boisi (Chair), Johnson, O'Malley and Poe.

The CHRC, with input from other non-employee directors, annually reviews and approves the compensation of the Chief Executive Officer and the President and Chief Operating Officer. The CHRC also annually reviews and approves the compensation of all other executive officers, including the executive officers listed on the Summary Compensation Table appearing under "Executive Compensation — Compensation Tables" below. The CHRC met nine times during 2005. During the period January 1, 2006 through June 1, 2006, the CHRC met four times. The CHRC has retained and is assisted by a major global human resources consulting firm that provides executive compensation consulting to many Fortune 100 companies and has advised our Board on compensation matters since 1990.

Compensation Philosophy

The CHRC's philosophy on executive compensation is to provide an executive compensation package that attracts and retains high caliber executives and reflects our pay-for-performance philosophy. In order to achieve our goal of recruiting and retaining exceptional leaders and executive officers, Freddie Mac has entered into employment or letter agreements with certain executive officers, including the Chief Executive Officer and the President and Chief Operating Officer. For the Chief Executive Officer and the President and Chief Operating Officer, these agreements include a minimum guaranteed annual equity award during the term of their employment with Freddie Mac. For more information on the terms of these agreements, see "Executive Compensation — Employment and Separation Agreements" below. Our pay-for-performance philosophy, which generally applies to all Freddie Mac employees, provides additional incentives for executive performance and results that are aligned with the interests of our stockholders, and is implemented by offering our executive officers competitive base salaries, annual and long-term performance incentive opportunities, and an ownership stake in Freddie Mac. Annual incentives are based on corporate objectives of importance to Freddie Mac, including those objectives described under "Components of Executive Compensation — *Short-Term Incentive Compensation — Corporate Performance Objectives*" below.

Methodology

In evaluating and setting executive officer compensation packages for 2005, the CHRC set compensation to be competitive with companies that were either in a similar line of business or were otherwise relevant for purposes of recruiting and retaining individuals with the requisite skills and capabilities. The CHRC generally uses executive compensation data from a group of companies we refer to as the Comparator Group as a guideline for determining competitive market compensation. The 2005 Comparator Group consisted of 20 leading financial services companies, including a government-sponsored enterprise, major national and regional financial institutions, and insurance companies, all but one of which is included in the S&P 500 Financial Sector Index in the Stock Performance Graph under "Executive Compensation — Stock Performance Graph" below. The CHRC is not able to use the Comparator Group to benchmark compensation for all executive

officers. In general, Freddie Mac does not use the Comparator Group when comparable executive positions do not exist in the Comparator Group or when available data is incomplete. In those instances, Freddie Mac uses data from alternative widely utilized survey sources for financial services companies. In those cases in which the alternative survey sources do not identify executive positions comparable to our positions, Freddie Mac sets compensation targets based on its best estimates of the relative scope and responsibilities of the position as compared to the scope and responsibilities of comparable positions within Freddie Mac for which survey data exists.

Total compensation for each executive officer is generally benchmarked at the 50th percentile of the Comparator Group or alternative sources, as appropriate. For any individual executive officer, the CHRC also considers the executive's performance and those factors discussed under "Components of Executive Compensation" below when setting target compensation. In setting 2005 target compensation for Executive Vice President-level officers and above, including for each of the named executive officers, in addition to reviewing competitive compensation data, the CHRC reviewed and discussed Freddie Mac's benefit obligations to the executive officers (both current and estimated values upon retirement), the executive officer's beneficial ownership levels of Freddie Mac common stock, and the value of the executive officer's outstanding long-term stock-based incentive awards. For the Chief Executive Officer and the President and Chief Operating Officer, the CHRC also reviewed the treatment of compensation elements in the event of various termination scenarios.

From time to time, the CHRC establishes special retention programs to retain and reward critical personnel in specific circumstances. In November 2003, the CHRC established a critical personnel retention program primarily to recognize the magnitude of sacrifice and commitment to the restatement and remediation effort, and to retain critical talent. Pursuant to the program, Freddie Mac entered into retention agreements with certain executive officers that provided two-year guaranteed cash compensation (salary and bonus) for performance years 2004 and 2005, as well as a one-time grant of restricted stock units. In November 2005, the CHRC established a senior leadership retention program that included Mr. Baumann and two other executive officers who are critical to successfully achieving our objectives over the next two-year period. Pursuant to the program, Freddie Mac entered into retention agreements with these executive officers that provide for a cash award payable at the end of a multi-year period. The retention agreements also provide for a one-time grant of restricted stock units.

Components of Executive Compensation

Base Salary

As discussed under "Methodology" above, the base salaries of our executive officers, including the Chief Executive Officer and the President and Chief Operating Officer, are broadly based on salaries for comparable positions in the market. Where applicable, base salaries reflect the terms of an executive officer's employment or letter agreement. Base salaries also reflect the executive officer's performance in the job, future potential, scope of responsibilities and experience. Salaries are reviewed annually for adjustment based on individual performance and market trends.

Short-Term Incentive Compensation

Our short-term cash incentive program seeks to motivate executive officers, including the Chief Executive Officer and the President and Chief Operating Officer, to work effectively to achieve our

Report of the CHRC on Executive Compensation

annual corporate performance objectives and to reward them when those objectives are met or exceeded. For 2005, the annual incentive pool was funded based on the CHRC's assessment of Freddie Mac's performance against the corporate performance objectives, or corporate scorecard, for the year, as well as achievements not reflected on the corporate scorecard. Individual 2005 annual incentive payments were based on an assessment of each executive officer's business results and leadership effectiveness and, where applicable, the executive officer's employment or letter agreement.

Corporate Performance Objectives. The Board and the CHRC reviewed, and the CHRC approved, the corporate scorecard containing the performance objectives for 2005 that were used to assess corporate performance for the year. The CHRC determined the level of incentive pool funding for the year based on corporate performance against the plan for the year, as well as other achievements and progress during the year.

The corporate scorecard for 2005 included the following performance areas and related objectives:

- **Shareholder Value**, which focused on maximizing shareholder value while maintaining regulatory capital compliance;
- **Mission**, which focused on meeting our increased affordable housing goals;
- **Customers**, which focused on improving market share and developing new capabilities to further penetrate the mortgage market;
- **Financial Reporting & Controls**, which focused on certain milestones in returning to timely financial reporting and registration of the company's common stock with the SEC; and
- **Operations**, which focused on greater integration and efficiency in our operations.

Performance Against Objectives. The Chief Executive Officer determined in January 2006 that, although we failed to achieve several key financial reporting milestones that were part of the corporate scorecard for 2005, given our performance in the aggregate relative to each of the targets, coupled with achievements and progress not addressed on the scorecard, our corporate performance for 2005 was "Strong On Plan." The Chief Executive Officer discussed his assessment and his recommendation regarding the bonus pool funding with the CHRC, and the CHRC approved the 2005 corporate bonus funding level. For 2005, the determination of the amounts of bonuses for executive officers was delayed until after the release of our 2005 financial results on May 30, 2006.

Annual Long-Term Stock-Based Incentive Awards

We believe that our long-term incentive program is the component of executive compensation that is most aligned with the long-term interests of our stockholders. A significant portion of our executive officer compensation is long-term equity compensation. Other than with respect to our Chief Executive Officer and the President and Chief Operating Officer, whose compensation is based on the terms of their respective employment agreements and determined solely by the CHRC with input from the other non-employee directors, management recommends target levels for annual equity grants. The CHRC approves annual equity grants after reviewing management's recommendations. Management's recommendations are based in part on a review of individual performance during the prior year, criticality of skills, retention, market comparison data, and, where

applicable, an executive officer's employment or letter agreement. The annual long-term equity awards granted to executive officers in May 2005 were delivered 50% each in stock options and restricted stock units.

Restricted Stock Units. A restricted stock unit represents a conditional contractual right to receive one share of Freddie Mac common stock at a specified future date. The underlying stock is not issued until the time restrictions lapse, at which time the restricted stock unit is settled or, if previously elected by the grantee, deferred. In the event a cash dividend is declared and paid on our common stock, holders of restricted stock units will receive dividend equivalents, paid out in cash promptly after the payment date for such dividend, equal to the number of restricted stock units held by the executive officer multiplied by the dividend paid on each outstanding share of our common stock. Restricted stock units do not have voting rights because they are not considered legally issued or outstanding shares.

In awarding restricted stock units for the annual award in 2005, the CHRC first set the dollar value of the restricted stock units to be awarded. The number of restricted stock units awarded to each senior executive then was calculated by dividing the dollar amount of the award by the discounted value of a share of our common stock on the grant date. The discount reflects risk of forfeiture during the restricted period and is applied to the average of the high and low prices of our common stock on the grant date. The value of one restricted stock unit, as determined by the formula, was \$56.67, which was approximately 90 percent of the average of the high and low trading prices of a share of common stock on May 6, 2005, the grant date for annual equity awards made in 2005 to executive officers.

The restricted stock units granted to executive officers in May 2005 as part of the annual award vested and settled with respect to 25% of the award in May 2006 and will vest and settle at a rate of 25% per year in each of May 2007, 2008 and 2009. Settlement generally occurs on the date of vesting unless an executive officer has elected under our 2002 Executive Deferred Compensation Plan to defer the settlement to a later date. See "Executive Compensation — Executive Deferred Compensation Plan" for more information regarding the deferral of restricted stock units.

Stock Options. To determine the number of stock options for the annual award in 2005, the CHRC first set the dollar amount of stock options to be awarded. On the grant date, that dollar amount was converted into a number of shares of common stock subject to the stock option pursuant to the Black-Scholes model for the valuation of stock options. Our application of this model resulted in a grant date value for 2005 of \$26.61 per share based on an option exercise price of \$62.69, which was equal to the average of the high and low trading prices of our common stock on the grant date, May 6, 2005.

The stock options granted to executive officers in May 2005 as part of the annual award have an exercise price equal to the fair market value of Freddie Mac common stock on the date of grant. These stock options vested and became exercisable with respect to 25% of the award in May 2006 and will vest and become exercisable at a rate of 25% per year in each of May 2007, 2008 and 2009.

For stock options vested as of December 31, 2004, in the event that a cash dividend is declared and paid on our common stock, the option grantee will receive a dividend equivalent on each share of common stock underlying the option in the amount of the dividend per share declared and paid on our issued and outstanding shares of common stock. The dividend equivalents with respect to those stock options are accrued and are payable in cash upon exercise or expiration of the option. On

November 30, 2005, the CHRC approved a modification of the terms of certain outstanding stock options granted to employees, including executive officers, under the 1995 Stock Compensation Plan and the 2004 Stock Compensation Plan, to bring the terms of these stock options into compliance with Internal Revenue Code Section 409A. As a result, the terms of any stock option grant or portion thereof outstanding as of December 31, 2005 that was not vested as of December 31, 2004 (including stock options granted in 2005) were modified to remove the prior existing provisions regarding accrual of dividend equivalents. Dividend equivalents accrued through December 31, 2005 with respect to such stock options were distributed in a lump sum and, thereafter, dividend equivalents with respect to such stock options will not accrue, but are being distributed as soon as practicable. In addition, dividend equivalents will no longer be granted in connection with awards of stock options to employees, including executive officers.

Chief Executive Officer's 2005 Compensation

The CHRC determined the Chief Executive Officer's 2005 compensation after obtaining and considering the views of the other non-employee directors on his performance and compensation.

The Chief Executive Officer's 2005 compensation reflects the CHRC's determination with respect to Mr. Syron's individual leadership and performance displayed throughout the year, as well as Freddie Mac's performance relative to the targets on its 2005 corporate scorecard, a summary of which is set forth under "Components of Executive Compensation — *Short-Term Incentive Compensation — Corporate Performance Objectives*" above. Mr. Syron's compensation also is based on his employment agreement and relative pay versus that of chief executive officers in the Comparator Group. For more information on Mr. Syron's employment agreement, see "Executive Compensation — Employment and Separation Agreements — *Richard F. Syron*". Messrs. Syron and McQuade each recommended that their 2005 cash bonus awards be reduced below the level for 2004 because Freddie Mac failed to achieve several key financial reporting milestones that were part of the corporate scorecard for 2005.

Impact of IRS Limits on Deductibility of Compensation

Freddie Mac is not subject to the provisions of Section 162(m) of the Internal Revenue Code relating to the deductibility of executive compensation expenses. Consequently, the CHRC did not consider the qualification of certain items of executive compensation for deductibility under that Code section in establishing its compensation policy.

This report is respectfully submitted by the members of the Compensation and Human Resources Committee of the Board.

Geoffrey T. Boisi, *Chairman*
Michelle Engler
Thomas S. Johnson
Shaun F. O'Malley
Ronald F. Poe

Report of the CHRC on Executive Compensation

EXECUTIVE COMPENSATION

Compensation Tables

Summary Compensation Table

The following table sets forth the 2005, 2004 and 2003 compensation provided to our Chief Executive Officer and our four other most highly compensated executive officers who were serving as executive officers as of December 31, 2005, who are collectively referred to as our named executive officers.

Name and Principal Position	Fiscal Year	Annual Compensation			Long-Term Compensation		All Other Compensation ⁽⁵⁾⁽⁶⁾
		Salary ⁽¹⁾	Bonus ⁽²⁾	Other Annual Compensation ⁽³⁾	Restricted Stock Unit Awards ⁽⁴⁾	Securities Underlying Options (#)	
Richard F. Syron ⁽⁷⁾ Chairman of the Board and Chief Executive Officer	2005	\$1,100,000	\$2,200,000	\$168,053	\$4,821,289	165,390	\$130,169
	2004	1,100,000	2,500,000	429,989	4,826,707	166,580	22,026
	2003	4,231	0	99,000	8,809,819	0	0
Eugene M. McQuade ⁽⁷⁾ President and Chief Operating Officer	2005	\$ 900,000	\$1,500,000	\$ 68,433	\$3,287,666	112,770	\$ 26,853
	2004	300,000	2,565,000	154,842	6,253,875	0	348
	2003	N/A	N/A	N/A	N/A	N/A	N/A
Patricia L. Cook ⁽⁷⁾ Executive Vice President — Investments and Capital Markets	2005	\$ 600,000	\$2,750,000	\$ 0	\$1,095,889	37,590	\$ 20,462
	2004	250,000	3,000,000	\$103,971	1,873,771	18,580	634
	2003	N/A	N/A	N/A	N/A	N/A	N/A
Martin F. Baumann ⁽⁷⁾ Former Executive Vice President — Finance and Chief Financial Officer	2005	\$ 537,083	\$ 750,000	—	\$1,872,478	30,070	\$ 90,672
	2004	518,750	1,300,000	—	860,294	29,680	37,089
	2003	373,106	647,727	\$147,987	921,233	32,900	2,244
Joseph A. Smialowski ⁽⁷⁾ Executive Vice President — Operations and Technology	2005	\$ 500,000	\$1,300,000	\$ 87,060	\$ 822,072	28,200	\$ 13,834
	2004	41,667	400,000	60,783	815,178	0	0
	2003	N/A	N/A	N/A	N/A	N/A	N/A

- (1) Messrs. Syron, McQuade and Smialowski and Ms. Cook have employment or letter agreements with Freddie Mac that establish minimum guaranteed compensation for specified periods of time. Mr. Baumann resigned his position as Executive Vice President — Finance and Chief Financial Officer of Freddie Mac effective March 21, 2006 and entered into a separation agreement with Freddie Mac dated March 21, 2006, which superceded his prior letter agreements and retention agreements with Freddie Mac. Pursuant to the terms of the separation agreement, Mr. Baumann continued to serve as Executive Vice President — Special Advisor to the President and Chief Operating Officer until May 31, 2006. For more information on these employment and letter agreements and Mr. Baumann's separation agreement, see "Employment and Separation Agreements" below. Mr. McQuade's 2004 salary of \$300,000 was attributable to his four months of employment in 2004 based on an annual salary of \$900,000. Ms. Cook's 2004 salary of \$250,000 was attributable to her five months of employment in 2004 based on an annual salary of \$600,000. Mr. Smialowski's 2004 salary of \$41,667 was attributable to his one month of employment in 2004 based on an annual salary of \$500,000. Mr. Syron's 2003 salary of \$4,231 was attributable to his one day of employment in 2003 based on an annual salary of \$1,100,000. Mr. Baumann's 2003 salary of \$373,106 was attributable to his nine months of employment in 2003 based on an annual salary of \$500,000.
- (2) The 2005 bonus amount reported for Mr. Baumann reflects the terms of his March 21, 2006 separation agreement with Freddie Mac. Mr. Baumann's 2004 bonus amount reported includes a retention bonus payment of \$300,000, and his 2003 bonus amount reported includes a \$200,000 one-time cash sign-on bonus. The 2004 bonus amounts reported for Mr. McQuade, Ms. Cook and Mr. Smialowski include one-time cash sign-on bonuses in the amount of \$2,000,000, \$2,000,000 and \$400,000, respectively, which are subject to repayment by each executive under certain circumstances.
- (3) Other Annual Compensation consists of perquisites received by the named executive officers. Perquisites are valued at their aggregate incremental cost to Freddie Mac. Amounts shown represent relocation pay and related tax gross-ups, home security systems, reimbursement of certain legal fees, life insurance premiums, personal use of a car and driver for commuting transportation in the metropolitan Washington, D.C. area and related tax gross-ups, payment of

Executive Compensation

spousal travel costs and related tax gross-ups, and financial planning services. During 2005 and 2004, the cost of perquisites furnished to Mr. Baumann did not exceed the lesser of \$50,000 or 10% of the sum of his salary and bonus reported in the table.

For Mr. Syron, the perquisite cost reported for 2005 that exceeds 25% of the total perquisite costs reported is \$95,748 for life and long-term disability insurance premiums and \$40,185 for relocation pay and related tax gross-up, and the perquisite cost reported for 2004 that exceeds 25% of the total perquisite costs reported is relocation pay and related tax gross-up in the total amount of \$314,209. The perquisite cost reported for 2003 for Mr. Syron is legal fees paid in connection with the negotiation of his employment agreement with us. For Mr. McQuade, the perquisite cost reported for 2005 that exceeds 25% of the total perquisite costs reported is \$40,171 in relocation pay and related tax gross-ups, and the perquisite cost reported for 2004 that exceeds 25% of the total perquisite costs reported is relocation pay and related tax gross-up in the total amount of \$146,134. For Ms. Cook, the perquisite cost reported for 2004 is relocation pay and related tax gross-up. For Mr. Baumann, the perquisite cost reported for 2003 is relocation pay and related tax gross-up. For Mr. Smialowski, the perquisite cost reported for 2005 that exceeds 25% of the total perquisite costs reported, and the total perquisite cost reported for 2004, is relocation pay and related tax gross-up in the amounts of \$82,060 and \$60,783, respectively.

- (4) The dollar values reported in the Summary Compensation Table are based on the closing price of our common stock on the grant date multiplied by the number of restricted stock units awarded. The number of restricted stock units awarded is as follows:

Fiscal Year	Mr. Syron	Mr. McQuade	Ms. Cook	Mr. Baumann	Mr. Smialowski
2005	77,650	52,950	17,650	30,420	13,240
2004	75,630	92,650	28,730	13,480	11,890
2003	151,060	N/A	N/A	16,950	N/A

Mr. Syron's 2003 equity award of restricted stock units was a sign-on award designed to partially compensate him for earnings foregone in order to join Freddie Mac. Mr. McQuade's 2004 equity award of restricted stock units was a sign-on award. Ms. Cook's 2004 equity awards of restricted stock units consisted of a sign-on award and her 2004 annual equity grant. Mr. Baumann's 2005 equity award of restricted stock units consisted of a November 1, 2005 retention award of 16,300 restricted stock units, with a value on the grant date of \$1,000,000, and his 2005 annual equity award. Mr. Smialowski's 2004 equity award of restricted stock units was a sign-on award. With the exception of the sign-on award for Mr. Syron for 2003; the sign-on awards for Mr. McQuade, Ms. Cook and Mr. Smialowski for 2004; and the retention award for Mr. Baumann for 2005, restricted stock units were granted as part of annual equity awards on November 26, 2003, August 9, 2004 and May 6, 2005.

The 77,650, 52,950, 17,650 and 13,240 restricted stock units awarded to Mr. Syron, Mr. McQuade, Ms. Cook and Mr. Smialowski, respectively, as part of the annual award in 2005 vested with respect to 25% of the award in May 2006 and will vest at a rate of 25% in each of May 2007, 2008 and 2009. The 75,630, 17,120, and 13,480 restricted stock units awarded to Mr. Syron, Ms. Cook and Mr. Baumann, respectively, in August 2004 as part of the annual award in 2004 vested with respect to 25% of the award in each of August 2005 and April 2006 and will vest at a rate of 25% in each of April 2007 and 2008, respectively. The 151,060 restricted stock units awarded to Mr. Syron on December 31, 2003 are vesting in three equal annual installments beginning on the first anniversary of the grant date in accordance with the terms of his employment agreement described in "Employment and Separation Agreements — *Richard F. Syron*." The 92,650 restricted stock units granted to Mr. McQuade on September 1, 2004 are vesting in three equal installments beginning on the first anniversary of the grant date in accordance with the terms of his employment agreement described below under "Employment and Separation Agreements — *Eugene M. McQuade*." The 11,610 restricted stock units granted to Ms. Cook on August 2, 2004 are vesting in three equal installments beginning on the first anniversary of the grant date and her initial long-term incentive award is vesting in four equal installments beginning on the first anniversary of the grant date in accordance with the terms of her letter agreement described below under "Employment and Separation Agreements — *Patricia L. Cook*." Subject to the terms of Mr. Baumann's March 21, 2006 separation agreement, of the 14,120 restricted stock units awarded to Mr. Baumann as part of the annual award in 2005, 25% vested in May 2006, 25% will vest in each of May 2007 and May 2008, and the remaining 25% that otherwise would have vested in 2009 will be forfeited; the August 2004 award of restricted stock units will continue to vest on the schedule noted above for the annual award in 2004; the 16,950 restricted stock units awarded in November 2003 will vest in March 2008; and the restrictions on the November 1, 2005 retention award of 16,300 restricted stock units will lapse on December 31, 2007. The 11,890

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restricted stock units granted to Mr. Smialowski on December 13, 2004 are vesting at a rate of 33% in each of December 2005 and 2006 and 34% in December 2007.

The number and value, based on the closing price of our common stock on December 31, 2005, of restricted stock units held by each named executive officer at December 31, 2005 is as follows:

	<u>Number of Restricted Stock Units</u>	<u>Dollar Value</u>
Mr. Syron	184,726	\$12,071,844
Mr. McQuade	114,716	\$ 7,496,691
Ms. Cook	38,230	\$ 2,498,331
Mr. Baumann	57,480	\$ 3,756,318
Mr. Smialowski	21,207	\$ 1,385,877

For information on dividend equivalent rights associated with restricted stock units, see “Stock Ownership by Directors and Officers — *Beneficial Ownership*” and “Report of the CHRC on Executive Compensation — Components of Executive Compensation — *Annual Long-Term Stock-Based Incentive Awards — Restricted Stock Units*” above.

- (5) The 2005 figures include: (i) basic and matching contributions we made to our tax-qualified Thrift/401(k) Savings Plan in fiscal 2005; and (ii) allocations pursuant to the Make Up Contribution (as defined under “Pension Plan and Supplemental Executive Retirement Plan” below) component of our non-qualified supplemental executive retirement plan, or SERP, as follows:

	<u>Thrift /401(k) Savings Plan Contributions</u>	<u>SERP Allocations</u>
Mr. Syron	\$ 6,000	\$101,825
Mr. McQuade	0	7,875
Ms. Cook	0	6,750
Mr. Baumann	12,320	64,487
Mr. Smialowski	0	625

For additional information regarding the SERP, see “Pension Plan and Supplemental Executive Retirement Plan” below.

- (6) The 2005 figures for Messrs. Syron, McQuade, Baumann and Smialowski and Ms. Cook include FlexDollars of \$22,344, \$18,978, \$13,527, \$13,084 and \$13,712, respectively. The 2004 figures for Messrs. Syron, McQuade, Baumann and Smialowski and Ms. Cook include FlexDollars of \$21,413, \$348, \$13,204, \$0 and \$634, respectively. The 2003 figure for Mr. Baumann includes FlexDollars of \$2,244. FlexDollars are provided to all employees as part of our benefits program and are used to offset costs related to medical insurance, dental insurance, vision insurance, group term life insurance, accidental death and personal loss insurance, and vacation purchase. Any unused FlexDollars are payable as taxable income.
- (7) Mr. Syron became Chairman and Chief Executive Officer on December 31, 2003. Mr. McQuade became President and Chief Operating Officer on September 1, 2004. Ms. Cook became Executive Vice President — Investments on August 2, 2004 and Executive Vice President — Investments and Capital Markets on February 1, 2005. Mr. Baumann became Executive Vice President — Finance on April 2, 2003 and was appointed Chief Financial Officer on June 6, 2003. Mr. Baumann resigned his position as Executive Vice President — Finance and Chief Financial Officer effective March 21, 2006 and continued to serve as Executive Vice President — Special Advisor to the President and Chief Operating Officer until May 31, 2006. Mr. Smialowski became Executive Vice President — Operations and Technology on December 1, 2004.

Elective Compensation Deferrals

As of December 31, 2005, none of the named executive officers had accumulated any deferred compensation balances. All executives with outstanding deferrals were given the option to reverse their prior deferral elections in response to Internal Revenue Code Section 409A. Ms. Cook and Mr. Smialowski were the only named executive officers with accumulated deferred compensation balances and both of them elected to reverse their prior deferral elections.

Option Grants in Last Fiscal Year

The following table contains information concerning grants of stock options made to each of the named executive officers during fiscal year 2005.

Name	Number of Securities Underlying Options Granted⁽¹⁾	Percentage of Total Options Granted to Employees in Fiscal Year	Exercise or Base Price (\$/Share)	Expiration Date	Effective Date of Grant Present Value⁽²⁾
Richard F. Syron	165,390	13.97%	\$62.69	May 5, 2015	\$4,400,201
Eugene M. McQuade	112,770	9.53%	62.69	May 5, 2015	\$3,000,246
Patricia L. Cook	37,590	3.18%	62.69	May 5, 2015	\$1,000,082
Martin F. Baumann	30,070	2.54%	62.69	May 5, 2015	\$ 800,012
Joseph A. Smialowski	28,200	2.38%	62.69	May 5, 2015	\$ 750,261

- (1) The options granted vest over four years, with vesting at the rate of 25% in each of May 2006, 2007, 2008 and 2009. The options have dividend equivalent rights that entitle the grantee to dividend equivalents on each share of our common stock underlying the option equal to the dividend per share declared and paid on our issued and outstanding shares of common stock. The dividend equivalents are paid out as dividends are declared, as described in "Report of the CHRC on Executive Compensation — Components of Executive Compensation — Annual Long-Term Stock-Based Incentive Awards" above.
- (2) The estimated value of the stock options has been developed solely for purposes of comparative disclosure in accordance with the rules and regulations of the SEC and is consistent with the assumptions we used on the grant date for purposes of the disclosures of our grants made in 2005 in the consolidated financial statements contained in our Annual Report. The estimated value has been determined by application of the Black-Scholes option-pricing model based upon the terms of the option grant and Freddie Mac's stock price performance history as of the grant date.

Key assumptions for the May 6, 2005 grant of stock options to the named executive officers are as follows: an annualized stock price volatility rate of 30.01%, which refers to the expected fluctuations of future stock prices over the expected option life; a 4.12% risk-free rate of return, which reflects the estimated interest payable on Treasury securities on the grant date to reflect the expected option life of 7.4 years; and a dividend yield of 0%, because options granted under the employee and directors' stock compensation plans include dividend equivalent rights.

Aggregated Option Exercises in Last Fiscal Year and Fiscal Year-End Option Values

The following table sets forth information concerning each exercise of a stock option during fiscal year 2005 by each of the named executive officers and the number and value of unexercised stock options held by each of the named executive officers on December 31, 2005.

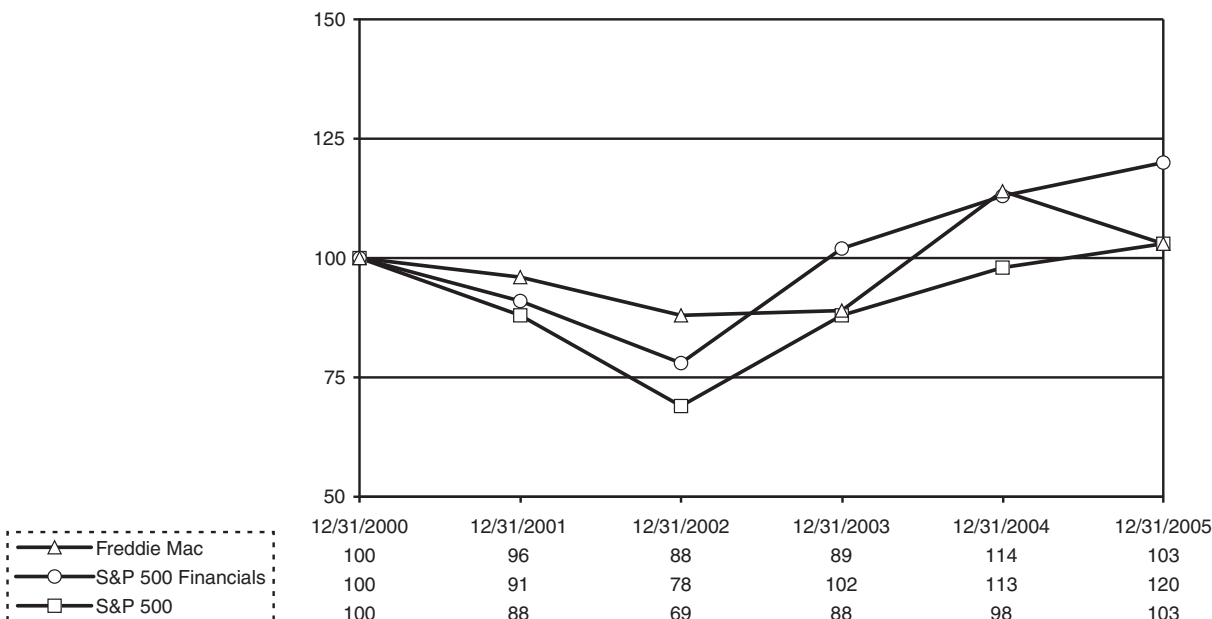
Name	Shares Acquired on Exercise (number of shares)	Value Realized	Number of Securities Underlying Unexercised Options at December 31, 2005 Exercisable / Unexercisable	Value of Unexercised In-the-Money Options at December 31, 2005⁽¹⁾ Exercisable / Unexercisable
Richard F. Syron	0	\$0	41,645/290,325	\$33,524/\$509,913
Eugene M. McQuade	0	0	0/112,770	0/279,106
Patricia L. Cook	0	0	4,645/51,525	2,508/100,560
Martin F. Baumann ⁽²⁾	0	0	15,645/77,005	95,379/360,560
Joseph A. Smialowski	0	0	0/28,200	0/69,795

- (1) The value of the unexercised in-the-money options is calculated on a grant-by-grant basis by multiplying the number of shares underlying unexercised options at December 31, 2005 by the difference between the exercise price for such options and the year-end fair market value of our common stock of \$65.165 (equal to the average of the high and low trading prices of our common stock on December 31, 2005).
- (2) Mr. Baumann resigned his position as Executive Vice President — Finance and Chief Financial Officer effective March 21, 2006. Pursuant to the terms of the separation agreement dated March 21, 2006, all stock options that were unvested as of May 31, 2006 were forfeited and all remaining vested stock options must be exercised within 90 days of May 31, 2006. The value of Mr. Baumann's 16,450 vested in-the-money stock options as of May 31, 2006 was \$99,194. The value is calculated on a grant-by-grant basis by multiplying the number of shares underlying the vested unexercised options at May 31, 2006 by the difference between the exercise price for such options and the May 31, 2006 fair market value of our common stock of \$60.325 (equal to the average of the high and low trading prices of our common stock on May 31, 2006).

Stock Performance Graph

The following graph compares the five-year cumulative total stockholder return on our common stock with that of the S&P 500 Index and the S&P 500 Financial Sector Index. On January 1, 2002, the composition of the S&P 500 Financial Sector Index was modified. Historical data has been recalculated to reflect this change. The table assumes \$100 invested in each of Freddie Mac common stock, the S&P 500 Financial Sector Index and S&P 500 Index on December 31, 2000. Total return calculations assume annual dividend reinvestment. The table does not forecast performance of our common stock.

COMPARATIVE CUMULATIVE TOTAL STOCKHOLDER RETURN



Executive Deferred Compensation Plan

Our executive officers and other key employees are eligible to participate in our 2002 Executive Deferred Compensation Plan, which is an unfunded, non-qualified plan that allows certain key employees to elect to defer all or a portion of their annual salary and cash bonus, and certain key management employees to defer the settlement of restricted stock units received from Freddie Mac under Freddie Mac stock plans and all or a portion of their annual salary and cash bonus, for any number of years specified by the employee, subject to certain restrictions, except that the period elected cannot exceed the employee's life expectancy. As of December 31, 2005, none of the named executive officers had accumulated any deferred compensation balances under the 2002 Executive Deferred Compensation Plan.

Pension Plan and Supplemental Executive Retirement Plan

The following table shows estimated annual benefits payable upon retirement (estimated at age 65) from our tax-qualified pension plan and the restoration portion of the non-qualified Supplemental Executive Retirement Plan, or SERP (which we collectively refer to as the Pension Plans for purposes of the table and accompanying footnotes), calculated in accordance with the Pension Plans' formulas currently in effect for specified years-of-service and compensation classes.

The SERP is designed to provide participants with the full amount of benefits to which they would have been entitled under the tax-qualified pension plan (which benefit is known as the Restoration Benefit in the SERP) and Thrift/401(k) Savings Plan (which benefit is known as the Make Up Contribution in the SERP) in the absence of certain limits on benefit levels imposed by the Internal Revenue Code and the exclusion of deferred amounts under the Executive Deferred Compensation Plan from the tax-qualified plans.

Under the SERP, if the participant's employment terminates (for a reason other than death, disability or retirement), then the Make Up Contribution in the SERP is paid over three annual installments, the first installment within 90 days after the end of the calendar year in which such termination of employment occurs, and the second and third installments following the end of the next two succeeding years. The Restoration Benefit in the SERP generally is payable as a single life annuity beginning at age 65 or in installments over 15 years following retirement, whichever results in the greater actuarial value. The Chief Executive Officer may, upon a participant's request and in the Chief Executive Officer's sole discretion, direct that upon termination of a participant other than the Chief Executive Officer or President and Chief Operating Officer (other than for death, disability or retirement) the Restoration Benefit be paid in the form of a lump sum or a series of three annual installments. In the case of a request by the Chief Executive Officer or President and Chief Operating Officer requesting a lump sum payment or series of installments, the CHRC would need to approve the request. The values represented below are exclusive of the benefits received under the tax-qualified Thrift/401 (k) Savings Plan and the Make Up Contribution under the SERP benefit.

The Jobs Act and Internal Revenue Code Section 409A imposed significant new rules regarding deferred compensation, generally effective for deferred amounts that vest on or after January 1, 2005. These new rules necessitated amendments to our SERP and other deferred compensation arrangements. Freddie Mac's excess benefit plan was terminated on November 30, 2005 after an analysis that showed no employees had benefits accrued under that plan. The amendments to the SERP address new key employee rules, grandfathered and non-grandfathered benefit accruals and new forms of payment elections. Additional amendments to our SERP and other deferred compensation arrangements may be required as more guidance is received in 2006 and when the Internal Revenue Service issues final regulations implementing Section 409A.

ESTIMATED ANNUAL BENEFITS UNDER PENSION PLANS⁽¹⁾⁽²⁾⁽³⁾

Highest Average Annual Compensation	Years of Credited Service				
	10	15	20	25	30
\$ 350,000	\$ 35,000	\$ 52,500	\$ 70,000	\$ 87,500	\$105,000
400,000	40,000	60,000	80,000	100,000	120,000
450,000	45,000	67,500	90,000	112,500	135,000
500,000	50,000	75,000	100,000	125,000	150,000
600,000	60,000	90,000	120,000	150,000	180,000
750,000	75,000	112,500	150,000	187,500	225,000
1,000,000	100,000	150,000	200,000	250,000	300,000
1,250,000	125,000	187,500	250,000	312,500	375,000
1,500,000	150,000	225,000	300,000	375,000	450,000
1,750,000	175,000	262,500	350,000	437,500	525,000
2,000,000	200,000	300,000	400,000	500,000	600,000
2,500,000	250,000	375,000	500,000	625,000	750,000
3,000,000	300,000	450,000	600,000	750,000	900,000

(1) Benefits payable as a straight life annuity are shown above based on the benefit formula under the Pension Plans for service after 1988. Benefits from the Pension Plans are subject to state and federal taxation. The tax-qualified pension plan benefits are not subject to Social Security or Medicare tax withholdings, but are subject to withholding for income taxes and deductions for retiree medical benefits if the employee is eligible and has elected the benefit.

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- (2) The compensation covered by the Pension Plans is the participant's highest consecutive 36-month average compensation, or "covered pay". For our executive officers, covered pay is composed of base pay and corporate-wide annual bonus payments paid during the applicable 36-month period. For the named executive officers, the average compensation is based on the actual months of service and, as of December 31, 2005, none of the named executive officers had completed 36 months of eligible service. As of December 31, 2005, covered pay for Messrs. Syron, McQuade, Ms. Cook and Mr. Smialowski was \$2,822,533, \$1,323,750, \$1,305,882 and \$499,999, respectively. Mr. Baumann's covered pay as of December 31, 2005 was \$1,155,151; however, because his vesting service was less than five years on the date of his termination, he is not entitled to a benefit from the Pension Plans. Mr. Syron's and Mr. McQuade's employment agreements provide for certain benefits upon specific events of termination. For more information, see "Employment and Separation Agreements — *Richard F. Syron*" and "Employment and Separation Agreements — *Eugene M. McQuade*" below.
- (3) As of December 31, 2005, the years of credited service under the tax-qualified Pension Plan for Messrs. Syron, McQuade, Ms. Cook and Mr. Smialowski were 2 years, 1 year, 1 year and 1 year, respectively. Mr. Baumann had 3 years of credited service under the tax-qualified Pension Plan as of December 31, 2005; however, because his vesting service was less than five years on the date of his termination, he is not entitled to a benefit from the Pension Plans.

Employment and Separation Agreements

The employment and separation agreements described below for Messrs. Syron, McQuade, Baumann and Smialowski and Ms. Cook are available on Freddie Mac's Website at www.freddiemac.com/governance.

Richard F. Syron

Mr. Syron was appointed Chairman of the Board and Chief Executive Officer, effective December 31, 2003. The terms of his employment with us are governed by an employment agreement, which continues in effect until the earlier of December 31, 2008 or the occurrence of an event of termination. OFHEO has reviewed the terms of this agreement and has approved the termination benefits set forth in the agreement.

Mr. Syron received on December 31, 2003 an initial equity award of restricted stock units related to common stock with an aggregate fair market value on that date of \$8,800,000. The restricted stock units vest in three equal annual installments, beginning on the first anniversary of the grant date.

During the term of the agreement, Mr. Syron receives an annual minimum base salary of \$1,100,000, which amount may be increased in the discretion of the CHRC. In addition, he has the opportunity to earn an annual cash bonus targeted at 120% of his base salary, subject to a maximum of 200% of this target. Mr. Syron was guaranteed a minimum annual cash bonus for performance year 2004 of \$1,320,000; his actual cash bonus for 2004 was \$2,500,000 and his actual cash bonus for 2005 was \$2,200,000.

During each year of the term of the employment agreement starting in calendar year 2004, Mr. Syron also receives an annual equity award with an aggregate value on the grant date of \$8,800,000, of which at least 50% is in the form of restricted stock units and the rest is in the form of stock options. The CHRC may in its discretion award a higher percentage of restricted stock units. Under the agreement, the restricted stock units will vest on the fifth anniversary of the grant date, and the options will generally vest in four equal annual installments beginning on the first anniversary of the grant date; provided that the CHRC in its discretion may accelerate the vesting of the restricted stock units or options or provide for an accelerated vesting schedule. In the exercise of

this discretion, the CHRC adjusted the vesting schedule for Mr. Syron's annual equity award granted in August 2004 so that 25% of the award vested in each of August 2005 and April 2006 and 25% of the award will vest in each of April 2007 and 2008, so as to make the vesting of Mr. Syron's award consistent with the vesting schedule of the annual equity awards to other non-executive officers in 2004. Mr. Syron's annual equity award granted in May 2005 vested as to 25% of the award in May 2006 and will vest as to 25% of the award in each of May 2007, 2008 and 2009.

Upon a change in control (as that term is defined in the employment agreement), any equity award granted to Mr. Syron at least 12 months prior to the change in control will immediately vest. Vested restricted stock units will be paid out immediately and vested options will remain exercisable until the expiration date of the options. Any equity awards granted less than 12 months prior to the change in control will be cancelled in consideration of our payment to Mr. Syron of \$8,800,000 in cash for each cancelled equity award.

During the term of the employment agreement, we will maintain, at our cost, term life insurance on the life of Mr. Syron for the benefit of his beneficiaries with a face amount equal to \$10,000,000. If Mr. Syron remains employed by us through December 31, 2008, upon the later to occur of December 31, 2008 and his turning 65, we will deliver to Mr. Syron a fully paid-up permanent life insurance policy with a face amount equal to \$4,000,000.

Pursuant to the agreement, Mr. Syron is entitled to participate in all other compensation and employee benefit or perquisite programs generally available from time to time to our senior executives on the terms and conditions then prevailing under each such program.

In the event of termination of his employment prior to December 31, 2008 due to disability or death, we will pay Mr. Syron his base salary through the end of the month in which termination of employment occurs. We will pay any earned but unpaid bonus amounts from the most recently completed calendar year, plus a prorated percentage of Mr. Syron's target bonus for the calendar year in which employment termination occurs. Also, all restricted stock units awarded to Mr. Syron will immediately vest and be paid out and all options granted will become immediately exercisable. These options will remain exercisable: (i) in the event termination occurs as a result of death, until the earlier to occur of (a) the third anniversary of the employment termination or (b) the expiration date of the options; and (ii) in the event termination occurs as a result of disability, until the scheduled expiration date applicable to the options. In the event of termination due to disability, we will provide long-term disability benefits equal to 70% of Mr. Syron's base salary during the period beginning on the first day of the month that immediately follows the month in which the termination occurred through the earlier of December 31, 2008 or the date he no longer has a disability.

Subject to Mr. Syron's execution of a general release and waiver, in the event that Mr. Syron terminates his employment prior to December 31, 2008 for good reason or is terminated by us without cause (as those terms are defined in the employment agreement), we will pay Mr. Syron a lump sum cash payment equal to the base salary that would have been paid to him for the period beginning on the termination date and ending on December 31, 2008. We will pay any earned but unpaid bonus amounts from the most recently completed fiscal year. Also, we will pay Mr. Syron a lump sum cash payment equal to the sum of the target annual bonuses that would have been paid to him in respect of each calendar year that ends during the period beginning on the termination date and ending on December 31, 2008.

All restricted stock units awarded to Mr. Syron at least 12 months prior to the termination date will immediately vest and be paid out, and all options granted to Mr. Syron at least 12 months prior to the termination date will become immediately exercisable. All such options will remain exercisable until the earlier to occur of (i) three years following such termination, or (ii) the expiration date of the options. All equity awards granted less than 12 months prior to the termination date will be cancelled in consideration of our payment to Mr. Syron of \$8,800,000 in cash for each cancelled equity award.

In addition, if he is not entitled to the Restoration Benefit under the SERP solely because he is not yet vested under our tax-qualified pension plan, then we will pay Mr. Syron the benefit that would have been payable to him under the SERP as of the date of the termination without regard to the vesting requirement, and he will be entitled to the Make Up Contribution in accordance with the terms of the SERP. We will provide Mr. Syron and his family continued health and other similar welfare benefits coverage through December 31, 2008.

In the event that Mr. Syron's employment is terminated by us for cause prior to December 31, 2008, we will pay Mr. Syron any earned but unpaid base salary through the date of termination and any earned but unpaid bonus amounts from the most recently completed calendar year. All unvested equity awards will be immediately cancelled.

In the event that Mr. Syron terminates his employment following December 31, 2008 due to retirement and not for cause, all restricted stock units awarded to Mr. Syron will vest immediately but will be paid out at such time as the units would have vested and been paid out to him had his employment with us not been terminated. All options granted to Mr. Syron will become immediately exercisable and will remain outstanding until the expiration date of the options.

Mr. Syron is subject to non-competition and non-solicitation of employees restrictions following any termination of his employment for periods of two years and one year, respectively, following the termination.

Eugene M. McQuade

We entered into an employment agreement with Mr. McQuade, which provides for his employment as President and Chief Operating Officer effective September 1, 2004. The agreement has an initial term of three years and is subject to automatic extension for successive one-year periods unless either party gives notice that such extension shall not occur. OFHEO has reviewed the terms of this agreement and has approved the termination benefits it provides.

Mr. McQuade's agreement is similar to Mr. Syron's, with the following items of note:

- An annual base salary of \$900,000, which amount may be increased in the discretion of the CHRC;
- A sign-on bonus of \$2,000,000 (however, if Mr. McQuade resigns for other than good reason or is terminated for cause (as those terms are defined in the employment agreement) during the initial three-year term of his agreement, he is required to repay us a pro-rata amount of the sign-on bonus);
- The opportunity to earn an annual cash bonus targeted at 100% of his base salary, subject to a maximum bonus of 200% of his base salary, with a guaranteed minimum

annual bonus in 2004 of \$400,000. Mr. McQuade's actual cash bonus for the 2004 performance year was \$565,000 and for the 2005 performance year was \$1,500,000;

- An initial equity award of 92,650 restricted stock units, vesting in three equal annual installments beginning on the first anniversary of the grant date, unless the CHRC determines otherwise (as described below);
- During each year of the term of the employment agreement beginning in calendar year 2005, an annual equity award with an aggregate value on the grant date of \$6,000,000, of which at least 50% will be in the form of restricted stock units and the rest will be in the form of stock options. The CHRC may in its discretion award a higher percentage of restricted stock units. The restricted stock units will vest on the fourth anniversary of the grant date, and the options will vest in four equal annual installments beginning on the first anniversary of the grant date, unless the CHRC determines otherwise (as described below);
- Participation in (i) all other incentive and other compensation programs generally available to senior executives, (ii) executive and employee benefit plans or programs at a level commensurate with his position and duties with us, and (iii) all special benefit or perquisite programs generally available from time to time to our Chief Executive Officer, all on the terms and conditions then prevailing under each such program; and
- At our cost, term life insurance on the life of Mr. McQuade for the benefit of his beneficiaries with a face amount of \$7,000,000, which will be converted to a fully paid-up permanent life insurance policy with a face amount of \$2,800,000 on the later to occur of the termination of his employment with us or his turning 60, if Mr. McQuade remains employed by us through both the scheduled termination date of the employment agreement and his turning 60.

The CHRC, in accordance with the terms of our stock compensation plan, will determine the exercise price of the stock options granted pursuant to the employment agreement. The vesting of Mr. McQuade's initial and annual equity-based compensation is subject to his continued employment with us. The CHRC in its discretion may accelerate the vesting of the restricted stock units or stock options or provide for an accelerated vesting schedule.

Upon a change in control (as that term is defined in the employment agreement), the same provisions apply as set forth in Mr. Syron's agreement except that the payment to Mr. McQuade will be \$6,000,000 in cash for each cancelled equity award.

Mr. McQuade may terminate his employment agreement for good reason if, among other things, any one or more of the reasons set forth in his employment agreement occur without his prior written consent, including:

- A reduction in his then-current base salary or target or maximum annual bonus opportunity;
- A material diminution or change in his duties or responsibilities;
- A change in the reporting structure so that he reports to any person or entity other than the CEO or the Board;

- Someone other than Mr. McQuade is appointed to succeed Mr. Syron as CEO, except for the appointment of an interim CEO for a period not to exceed six months;
- Mr. McQuade is not appointed to succeed Mr. Syron as CEO by September 1, 2007; or
- We elect not to renew the term of the agreement at any time prior to December 31, 2014.

Subject to Mr. McQuade's execution of a general release and waiver, in the event his employment is terminated by him for good reason or by us without cause (as those terms are defined in the employment agreement):

- We will pay Mr. McQuade any accrued and unpaid base salary as well as any earned but unpaid bonus amounts from our most recently completed calendar year;
- We will pay Mr. McQuade a lump sum cash payment equal to the base salary and target bonuses that would have been paid to him for the longer of (i) one year and (ii) the remaining term of his employment agreement (the "Severance Period");
- We will provide Mr. McQuade and his beneficiaries with continued coverage during the Severance Period under our medical, dental and other similar benefit plans in which they participated prior to the termination of his employment;
- We will provide Mr. McQuade with the same SERP benefit as is to be provided to Mr. Syron under similar circumstances;
- All restricted stock units awarded to Mr. McQuade at least 12 months prior to the date of termination of his employment will immediately vest and be paid out;
- All options granted to Mr. McQuade at least 12 months prior to the termination date will become immediately exercisable until the earlier to occur of (i) three years following the termination or (ii) the scheduled expiration date applicable to the options; and
- Any annual equity awards made less than 12 months prior to the termination will be cancelled in consideration of our payment to Mr. McQuade of \$6,000,000 in cash for each cancelled equity award.

However, if Mr. McQuade resigns because he is not appointed to succeed Mr. Syron as CEO by September 1, 2007 or he otherwise resigns for good reason during 2007 because Mr. Syron ceases to be CEO and someone other than Mr. McQuade is appointed as his successor (other than an interim CEO as described above), then awards issued to Mr. McQuade in 2007 will not be subject to the accelerated vesting provisions described in the fifth, sixth and seventh bullets immediately above. In addition, if the termination is due to our decision not to renew the employment agreement, Mr. McQuade will be entitled to an additional year's service credit with respect to his unvested equity awards in lieu of the accelerated vesting provisions described immediately above.

In the event of termination of Mr. McQuade's employment prior to the scheduled termination date due to disability or death, we will provide Mr. McQuade with benefits similar to those provided to Mr. Syron under the same circumstances.

Executive Compensation

Patricia L. Cook

Ms. Cook joined us as our Executive Vice President — Investments on August 2, 2004 and became Executive Vice President — Investments and Capital Markets on February 1, 2005. Under the terms of a letter agreement dated July 8, 2004, as amended by a letter agreement dated July 9, 2004 and action taken by the CHRC on May 6, 2005, Ms. Cook receives an annualized base salary of \$600,000 and the opportunity to earn an annual cash bonus targeted at 167% of her bonus eligible earnings (currently defined as base salary), subject to a maximum of 200% of this target, absent approval by the CHRC of a greater amount. Ms. Cook's actual cash bonus for the 2005 performance year was \$2,750,000. Ms. Cook also has the opportunity to earn an annual long-term incentive compensation grant that has no maximum award restriction.

Under the terms of the amended agreement, Ms. Cook received a sign-on bonus in the amount of \$2,000,000 in August 2004 and a guaranteed cash bonus for 2004 of \$1,000,000. On August 2, 2004, Ms. Cook also received an initial award of restricted stock units with an aggregate fair market value on that date of \$750,000, which restrictions lapse in three equal installments beginning on the first anniversary of the grant date; and a guaranteed initial long-term incentive grant of \$1,500,000, of which two-thirds was in the form of restricted stock units and one-third was in the form of stock options. The long-term incentive awards vest in four equal installments beginning on the first anniversary of the grant date. If Ms. Cook's employment with Freddie Mac terminates for any reason (other than disability or death) prior to the lapse of restrictions on her restricted stock unit grant, she forfeits all the units.

The agreement also provides that if we terminate Ms. Cook prior to the second anniversary of her employment date other than for gross misconduct (as that term is defined in our officer severance policy) or any other willful or malicious misconduct on her part that is substantially injurious to us, she will receive a lump sum cash severance payment equal to \$3,800,000, minus \$133,333.33 per month for each whole month worked beginning on her employment date and ending the day prior to the second anniversary of her employment date. In the event that we terminate Ms. Cook on or after the second anniversary of her employment date but prior to her sixty-second birthday for any reason other than gross misconduct or any other willful or malicious misconduct on her part that is substantially injurious to Freddie Mac, she will receive a lump sum cash severance payment in the amount of \$600,000. The termination benefits of the agreement have been approved by OFHEO.

Martin F. Baumann

We hired Mr. Baumann in April 2003 as Executive Vice President — Finance. In June 2003, he was appointed Chief Financial Officer. Mr. Baumann resigned from these positions effective March 21, 2006. We entered into a separation agreement with Mr. Baumann effective March 21, 2006, which supercedes his letter agreements and retention agreements with us prior to that date. The separation agreement provides for the following:

- Mr. Baumann's continued service to Freddie Mac as Executive Vice President – Special Advisor to the President and Chief Operating Officer until May 31, 2006, at his then-current base salary of \$540,000 together with a bonus of \$750,000 for his service in 2005.
- Mr. Baumann's availability to advise and consult with the company on an as-needed basis until December 31, 2008.

- Severance in the amount of \$540,000 payable over one year in semi-monthly installments commencing six months after May 31, 2006.
- With respect to a November 1, 2005 retention award, a cash payment of \$1,000,000 and settlement on December 31, 2007 of restricted stock units that had a value on the grant date of \$1,000,000.
- Forfeiture of all stock options unvested as of May 31, 2006 and 25% of the restricted stock units granted in 2005 as part of the annual equity award.
- With respect to restricted stock units granted in 2003 and 2004 and 75% of the restricted stock units granted in 2005, continued settlement through December 31, 2008 in accordance with their terms.
- Forfeiture of any remaining payments and the prompt return to Freddie Mac of certain compensation provided under the separation agreement in the event that Mr. Baumann materially breaches specified provisions of its terms.

The termination benefits of the agreement have been approved by OFHEO.

Joseph A. Smialowski

Mr. Smialowski joined us as our Executive Vice President — Operations and Technology on December 1, 2004. Under the terms of a letter agreement dated November 1, 2004, Mr. Smialowski receives an annualized base salary of \$500,000 and the opportunity to earn short-term and long-term performance-based incentives.

Under the terms of the agreement, Mr. Smialowski received a one-time sign-on cash bonus in the amount of \$400,000 in December 2004 and a guaranteed minimum cash bonus for the 2005 performance year of 125% of bonus-eligible earnings, subject to a maximum of 200% of the target incentive, absent approval by the CHRC of a greater amount. Mr. Smialowski's actual cash bonus for the 2005 performance year was \$1,300,000. If Mr. Smialowski resigns or we terminate his employment for a Loss of Confidence under our officer severance policy or for violating any standard of conduct, attendance or behavior embodied in our standards of conduct under our progressive discipline policy before the second anniversary of his employment date, he is required to repay the full amount of his sign-on cash bonus. The agreement also provided for Mr. Smialowski to receive a one-time sign-on award of restricted stock units with an aggregate value on the grant date of \$750,000, which award vests at the rate of 33% on the first anniversary of the grant date, 33% on the second anniversary of the grant date, and 34% on the third anniversary of the grant date. This award was granted on December 13, 2004. The agreement also provided for an initial long-term incentive award with an aggregate value on the grant date of \$1,500,000, of which half was in the form of restricted stock units and half was in the form of stock options; this award was granted on May 6, 2005. The long-term incentive award vests in four equal annual installments beginning on the first anniversary of the grant date. If Mr. Smialowski's employment with us terminates for any reason (other than disability or death) prior to the lapse of restrictions on his restricted stock unit grants, he forfeits all of the units.

PROPOSAL 2: RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS

As provided in its charter (attached as Appendix B), the Audit Committee (rather than the full Board) selects our independent auditors, reviews the scope of the annual audit and pre-approves audit-related and other services to be performed by the independent auditors. The Audit Committee has evaluated the performance of PricewaterhouseCoopers and has selected them as our independent auditors for our fiscal year 2006. You are requested to ratify the Audit Committee's appointment of PricewaterhouseCoopers as independent auditors for our fiscal year 2006. Representatives of PricewaterhouseCoopers will be present at the annual meeting and will be given the opportunity to make a statement, if they desire to do so, and to respond to appropriate questions from stockholders present at the meeting. Unless stockholders specify otherwise in their proxy, proxies solicited by the Board will be voted by the proxy holders at the annual meeting to ratify the selection of PricewaterhouseCoopers as our independent auditors for our fiscal year 2006. A majority of the votes cast at the annual meeting is required for ratification.

Description of Fees⁽¹⁾

The following is a description of fees billed to us by PricewaterhouseCoopers during 2005 and 2004.

	<u>2005</u>	<u>2004</u>
Audit Fees ⁽²⁾	\$45,971,130	\$63,848,550
Audit-Related Fees ⁽³⁾	3,243,470	9,540,394
Tax Fees ⁽⁴⁾	17,955	23,940
All Other Fees ⁽⁵⁾	<u>46,680</u>	<u>498,184</u>
Total	\$49,279,235	\$73,911,068

(1) These fees represent amounts billed within the designated year and include reimbursable expenses of \$5,777,805 and \$4,106,392 for 2005 and 2004, respectively.

(2) Audit fees include fees billed by PricewaterhouseCoopers in connection with the audits of our annual consolidated financial statements. The audit fees during 2005 include fees and expenses related to the 2002 (\$404,298), 2003 (\$1,328,582), 2004 (\$19,978,250) and 2005 (\$24,260,000) audits. In addition to the amounts shown above, approximately \$26.4 million of fees and reimbursable expenses were billed in 2006 for the 2005 audit. The audit fees during 2004 include fees and expenses related to the 2002 (\$4,214,550), 2003 (\$44,634,000) and 2004 (\$15,000,000) audits. Audit fees of \$29,400 and \$18,250 in 2005 and 2004, respectively, related to the Freddie Mac Foundation are excluded because these fees are incurred and paid separately by the Freddie Mac Foundation.

(3) 2005 audit-related fees principally include fees and expenses related to internal control design reviews (\$1,470,970), agreed upon procedures associated with Freddie Mac-sponsored securitization transactions (\$1,700,500) and agreed upon procedures reports associated with structured finance transaction testing (\$72,000). 2004 audit-related fees principally include fees and expenses related to internal control design reviews (\$6,791,668), agreed upon procedures associated with Freddie Mac-sponsored securitization transactions (\$1,393,500) and proxy disclosures (\$150,000), and internal control reviews of various reporting processes (\$1,205,227), including an internal control review associated with the consent order we entered into with OFHEO (\$592,479).

(4) Tax fees include fees for providing periodic updates on tax matters.

(5) All other fees in 2005 primarily relate to subscription renewals for Comperio, an online library of financial reporting and assurance literature. All other fees in 2004 primarily relate to an independent assessment of the internal accounting function associated with the consent order we entered into with OFHEO (\$495,184).

Proposal 2: Ratification of Appointment of Independent Auditors

Approval of Independent Auditor Services and Fees

The Sarbanes-Oxley Act and related rules adopted by the SEC require that all services provided to companies subject to the reporting requirements of the Exchange Act by their independent auditors be pre-approved by their audit committee or by authorized members of the committee, with certain exceptions. The Audit Committee's charter requires that the Audit Committee pre-approve any audit services, and any non-audit services permitted under applicable law, to be performed by our independent auditors (or to designate one or more members of the Audit Committee to pre-approve such services and to report such pre-approval to the Audit Committee).

Audit services that are within the scope of an auditor's engagement letter approved by the Audit Committee prior to the performance of those services are deemed pre-approved and do not require separate pre-approval. Audit services not within the scope of an Audit Committee-approved engagement letter, as well as permissible non-audit services, must be separately pre-approved by the Audit Committee.

When the Audit Committee pre-approves a service, the Audit Committee typically sets a dollar limit for such service. Management endeavors to obtain pre-approval of the Audit Committee, or of the Chairman of the Audit Committee (when the Chairman of the Audit Committee has been delegated such authority), before it incurs fees in excess of the dollar limit. If the Chairman of the Audit Committee approves the increase, the Chairman will report his actions at the Audit Committee's next scheduled meeting.

The pre-approval procedure is administered by our senior financial management, which reports throughout the year to the Audit Committee. The Audit Committee pre-approved all audit and non-audit services performed in 2005.

We recommend that you vote *for* the ratification of the selection of PricewaterhouseCoopers as our independent auditors for 2006.

PROPOSAL 3: STOCKHOLDER PROPOSAL

National Legal and Policy Center, 107 Park Washington Ct., Falls Church, Virginia 22046, the beneficial owner of 45 shares of common stock of Freddie Mac, submitted the following proposal:

Charitable Contributions Report

Whereas:

Freddie Mac's assets belong to its shareholders. The expenditure or distribution of corporate assets, including charitable contributions, should be made so as to advance shareholder interests. Company charitable contributions should have a stated business rationale.

Whereas:

Company executives exercise wide discretion over the use of corporate assets for charitable purposes.

Absent a system of accountability for charitable contributions, Company executives may use Company's assets for objectives that are not shared by and may be inimical to the interests of the Company and its shareholders, potentially harming long-term shareholder value. [See National Legal and Policy Center, <http://www.nlpc.org/cip.asp> and Free Enterprise Action Fund, <http://www.FreeEnterpriseActionFund.com>.]

Principles of transparency and accountability should apply to Company charitable contributions. Such disclosure is consistent with public policy in regard to disclosure by publicly-owned companies.

Whereas:

According to the Freddie Mac website, "Through our extensive philanthropy program – anchored by the Freddie Mac Foundation – we support many charitable organizations and civic groups that strengthen families and communities. To date, we've invested more than \$250 million to make a difference in people's lives."

Whereas:

Shareholders are entitled to know how their company is spending its funds for charitable purposes.

Resolved: The Shareholders request that the Company provide a report updated semi-annually, omitting proprietary information and at reasonable cost, disclosing the Company's:

1. Policies and procedures for charitable contributions (both direct and indirect) made with corporate assets;
2. Monetary and non-monetary contributions made to non-profit organizations operating under Section 501(c)(3) and 501(c)(4) of the Internal Revenue Code, and any other public or private charitable organizations;
3. Business rationale for each of the charitable contributions;

Other Matters

4. Personnel who participated in making the decisions to contribute; and
5. Relationships with charitable group recipients through the personal involvement of Freddie Mac officers, directors and top executives. Involvement shall mean personal donation of \$1,000 or more annually; membership on the governing board or any advisory board; and/or the employment of a family member.

To the extent reasonable and permissible, the report may include the type of information requested above for charities controlled or managed by the Company, including The Freddie Mac Foundation.

This report may be posted on the company's website to reduce costs to shareholders.

Supporting Statement:

Current disclosure is insufficient to allow the Company's Board and its shareholders to fully evaluate the charitable use of corporate assets.

Freddie Mac's charitable giving, and that of its executives, has become controversial and invited the scrutiny of Congressional oversight committees. See *Chronicle of Philanthropy*, "Senate Committee Reviews Fannie Mae, Freddie Mac," February 23, 2006.

Furthermore, there is currently no single source providing shareholders the information sought by this resolution.

Details of contributions only sometimes become known when publicized by recipients. A substantial Company contribution to the Rainbow/PUSH coalition was disclosed in a Rainbow/PUSH conference program in early 2006.

Company Statement in Opposition to Stockholder Proposal Regarding Charitable Contributions

We have an active program of corporate philanthropy, undertaken through the Freddie Mac Foundation, a 501(c)(3) tax-exempt non-profit organization, and through corporate contributions. Our charitable contributions support our mission to provide liquidity, stability and affordability to the American housing market, and the work of the Freddie Mac Foundation on behalf of children and families uplifts and enriches communities across the nation. Our corporate donations and partnerships further support housing and civic programs that strengthen the communities where we live and work. Freddie Mac provides substantial disclosure about its corporate giving programs undertaken through the Freddie Mac Foundation. Detailed information about grants made by the Foundation is included on the Foundation's website at www.freddiemacfoundation.org/grants. We also issue public announcements concerning other significant giving activities.

Both our Community Relations Division, which supports our corporate giving, and the Foundation have processes in place for the review, analysis and approval of charitable contributions. We also have in place a governance process for monitoring our contributions to charitable organizations that are affiliated with any of our directors. This process is carried out in accordance with the New York Stock Exchange disclosure requirement relating to such contributions and our Corporate Governance Guidelines, which are available on our website at www.freddiemac.com/governance/pdf/gov_guidelines.pdf and included as Appendix A to this proxy statement. The Guidelines require that a substantial majority of our Board of Directors be independent and provide criteria for our Board to assess each director's independence annually, including one that incorporates the New York Stock Exchange disclosure threshold for such contributions.

Other Matters

We also have programs that actively encourage contributions of time and money by our employees to good causes that benefit the community, including a program that matches the amount of employee charitable contributions to 501(c)(3) tax-exempt non-profit organizations up to \$10,000 per year per employee. This matching program is available to all members of our Board of Directors.

In light of the information already publicly available about our and the Foundation's charitable giving, including the annual report published by the Foundation, the adoption of the proposal is unnecessary and would result in increased costs without providing any substantial additional benefit to our shareholders.

We recommend that you vote *against* the proposal regarding charitable contributions.

OTHER PROPOSED ACTIONS

As of the date of this Proxy Statement, there are no matters that the Board intends to present, or has reason to believe others will present, for a vote at the annual meeting other than those described in this Proxy Statement. If any other matters come before the annual meeting, the persons designated as proxies will vote in accordance with their best judgment.

AVAILABILITY OF ANNUAL REPORT

Our Annual Report, which contains audited consolidated financial statements for 2005 and other information, accompanies this Proxy Statement. Additional copies of the Annual Report and any Information Statement Supplements may be obtained without charge by visiting our Internet Website (www.freddiemac.com/investors) or by writing or calling us at:

Freddie Mac
Investor Relations Department
Mailstop D40
1551 Park Run Drive
McLean, VA 22102-3110
Telephone: (571) 382-4732 or 1-800-FREDDIE (800-373-3343)
shareholder@freddiemac.com

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING

Section 16(a) of the Exchange Act requires directors and certain officers of reporting companies, and persons who own more than 10% of a registered class of such company's equity securities, to file reports of ownership and changes in ownership with the SEC and the exchange on which such company's securities trade, and to furnish the company with copies of the reports. Until Freddie Mac completes voluntary registration with the SEC, its directors and executive officers are not subject to these requirements. However, Freddie Mac's directors and executive officers provide the equivalent of Section 16(a) reports to us, and we make them available on our Website at www.freddiemac.com within the same time frames observed by reporting persons of SEC registrants. Freddie Mac believes that during the 2005 fiscal year, its directors and executive officers complied with such reporting obligations.

STOCKHOLDER PROPOSALS AND NOMINATIONS FOR NEXT ANNUAL MEETING OF STOCKHOLDERS

As we did for this annual meeting, we will announce by press release the timeframes and process for submitting stockholder proposals and director nominations once we have finalized the timing of the next annual meeting. To be considered for inclusion in the next proxy statement, stockholder proposals must be submitted in writing by the announced deadline to the Corporate Secretary, Freddie Mac, 8200 Jones Branch Drive, McLean, Virginia 22102. The written notice must be accompanied by specific information regarding the proposal and the interest of the stockholder. If the stockholder does not comply with the requirements as set forth in our bylaws, the chair of the next annual meeting may declare the proposal not properly brought before the meeting.

Other Matters

Stockholder nominations of candidates for election as directors must be submitted in writing to the Corporate Secretary, Freddie Mac, 8200 Jones Branch Drive, McLean, Virginia 22102 by the same deadlines as for stockholder proposals to be introduced from the floor of the 2007 annual meeting. The written notice must include (i) the name, age, business address and residential address of the nominee, (ii) the principal occupation or employment of the nominee, (iii) a description of all arrangements or understandings between the stockholder and the nominee and any other person relating to the nomination, and (iv) all other information about the nominee that would be required to be included in a proxy statement soliciting proxies for the election of directors under the rules promulgated under the Exchange Act, as well as a written consent from the nominee to being named in the proxy statement and to serve if elected, as described in Section 3.03 of our bylaws. The stockholder also must provide his, her or its name and record address, the number of shares beneficially owned and a representation that the stockholder intends to appear in person or by proxy at the meeting to make the nomination. If the stockholder does not comply with the requirements of Section 3.03 of our bylaws, the chair of the annual meeting may so declare to the meeting and the defective nomination will be disregarded.

SOLICITATION BY BOARD; EXPENSES OF SOLICITATION

Our Board has sent you this Proxy Statement. We will pay all expenses in connection with the solicitation of the enclosed proxy. In addition to solicitation by mail, our officers and employees, who will receive no extra compensation for their services, may solicit proxies by telephone, in writing or in person. We also have retained Morrow & Co. Inc., a proxy soliciting firm, to assist in the solicitation of proxies for an estimated fee of \$15,000 plus reimbursement of reasonable out-of-pocket expenses. We also will reimburse the expenses of brokers and nominees who hold shares in their names to furnish proxy materials to the beneficial owners of such shares and, upon request, will reimburse such brokers and nominees for their reasonable out-of-pocket expenses.

By Order of the Board of Directors,



Robert E. Bostrom

Executive Vice President, General Counsel and Corporate Secretary

July 12, 2006

Other Matters

FREDDIE MAC'S CORPORATE GOVERNANCE GUIDELINES

The Board of Directors (the “Board”) of the Federal Home Loan Mortgage Corporation (“Freddie Mac” or the “Company”) has adopted the Corporate Governance Guidelines (the “Guidelines”) set forth below to assist the Board in the exercise of its responsibilities. These Guidelines should be interpreted in accordance with any applicable legal requirements, including those imposed by federal or state law or regulation, the New York Stock Exchange (the “NYSE”) and Freddie Mac’s statutory Charter and Bylaws. The Board may amend these Guidelines from time to time.

The Governance, Nominating and Risk Oversight Committee is responsible for reviewing and recommending to the Board appropriate changes to these Guidelines to reflect changes in legal or regulatory requirements, evolving governance practices and the Board’s policies and procedures. The Governance, Nominating and Risk Oversight Committee also oversees the implementation of the Guidelines by the Board and management. These Guidelines are published on Freddie Mac’s Internet website (www.freddiemac.com) and will be provided in print to any stockholder on request.

1. BOARD SIZE AND BOARD COMMITTEES: Under its statutory Charter, Freddie Mac’s Board of Directors is to have 18 members (“Directors”), with 13 elected by Freddie Mac’s stockholders and five to be appointed by the President of the United States. Stockholder-elected and Presidentially appointed Directors have the same responsibilities.

The Board’s standing committees include an Audit Committee, a Compensation and Human Resources Committee, and a Governance, Nominating and Risk Oversight Committee (the members of which include the Lead Director and the chairs of all of the other standing committees). Other standing committees, which address Freddie Mac business matters, are the Finance and Capital Deployment Committee and the Mission and Sourcing Committee. Each Committee has a charter, adopted by the Board and published on Freddie Mac’s Internet website (www.freddiemac.com), that specifies its authority and responsibilities.

2. BOARD AND COMMITTEE MEETINGS: The Board will meet at least eight times each year, and at least once each calendar quarter. The Audit Committee and the Governance, Nominating and Risk Oversight Committee also will meet at least eight times each year and all other standing Committees will hold at least six meetings each year. The schedule of Board and standing Committee meetings is determined annually. Agendas for Board meetings are set by the Chairperson, with input from the Lead Director, other members of the Board and management. Agendas for Committee meetings are set by the chairs of the respective Committees, with input from other Committee members and management.

3. DIRECTOR RESPONSIBILITIES: The primary responsibility of members of the Board of Directors is to promote the fulfillment of Freddie Mac’s public mission, the Company’s safety and soundness, and the interests of the Company’s stockholders, through their oversight of Freddie Mac’s business.

In fulfilling this role, some of the specific functions of the Board are to:

- Promote ethical conduct on the part of the Company and its employees and oversee its compliance with applicable laws and regulations and the integrity of its financial disclosures.
- Oversee the development of corporate strategy and monitor its implementation.

- Select and evaluate the Chief Executive Officer and plan for management succession.
- Oversee the establishment and implementation of effective corporate governance processes.

Consistent with applicable legal requirements, the Board may delegate some of these functions to a Committee.

Directors are expected to devote the time and attention necessary to fully discharge their responsibilities as members of the Board and Committees, including attending all meetings of the Board and of Committees of which they are members and any annual stockholders meeting at which they are standing for election or re-election or beginning a term as an appointed Director. Materials scheduled to be discussed at the meetings are sent to Directors in advance of the meetings, except in unusual circumstances, and Directors are expected to review those materials prior to the meetings.

4. BOARD AND COMMITTEE INDEPENDENCE: A substantial majority of the members of the Board will be independent, as determined by the Directors who are not officers or employees of Freddie Mac (“Outside Directors”), acting on behalf of the Board, under the standards set forth in these Guidelines. All members of the Audit Committee, Compensation and Human Resources Committee and Governance, Nominating and Risk Oversight Committee and the chairs of all standing committees will be independent under those standards (and, in the case of Audit Committee members, the requirements of SEC Rule 10A-3(b)(1)).

Before publication of Freddie Mac’s annual proxy statement, the Outside Directors will make a determination regarding the independence of each nominee for election or re-election to the Board and each Director appointed by the President. If a Director joins the Board at a time other than an annual stockholders’ meeting, the Board will make a determination regarding the Director’s independence at that time. These determinations and the basis for them (including, as applicable, application of the independence standards set forth below) will be disclosed in the proxy statement.

Each independent Director is obligated to inform the Board promptly of any change in circumstances that might cause the Board to conclude that the Director is no longer independent. The Outside Directors shall consider any such information and, if they determine that the Director is no longer independent, that determination and the basis for it shall be disclosed on Freddie Mac’s Internet website (www.freddiemac.com).

5. INDEPENDENCE STANDARDS: For a Director to be considered independent, the Board must determine that the Director does not have any material relationship with Freddie Mac. The independence criteria set forth in these Guidelines shall be interpreted in a manner that is consistent with the rules of the NYSE and any other applicable regulatory provisions and related guidance, except where the criteria in the Guidelines are intended to be stricter than the corresponding criteria set forth in those rules or regulatory provisions.

The Board will solicit, and each Director will disclose, information concerning any employment, personal service or charitable relationships of the general types described below (regardless of whether the relationships satisfy the specified criteria) and any other potentially material relationships, direct or indirect, between the Director and Freddie Mac.

In determining whether a Director is independent, the Board will consider whether any such relationships, taken as a whole, would impair the Director’s judgment as a member of the Board or create the perception or appearance of such an impairment. When another entity has a relationship

with both a Director and Freddie Mac, the Board will take into consideration the nature and extent of those relationships.

To assist it in making and disclosing independence determinations, and as contemplated by the NYSE rules, the Board has established independence categories, set forth below, that cover a number of types of actual or potential Director relationships. Criteria associated with each category specify the types of relationships within the category that will require a determination that a Director is not independent. Other relationships that fall within the categories will not preclude a finding that a Director is independent. However, the Board will consider any relationships, along with any potentially material relationships that do not fall within these categories, in determining whether all of the Director's relationships, taken as a whole, impair the Director's independence.

CATEGORIES

CRITERIA

Employment by Freddie Mac

A Director will not be deemed independent if, within the past three years, the Director was employed by Freddie Mac, or an immediate family member was an executive officer of Freddie Mac or employed in a professional capacity in Freddie Mac's Internal Audit Division. For purposes of these Guidelines, an immediate family member means a spouse, parents, children, siblings, in-laws (including mothers, fathers, sons, daughters, brothers and sisters-in-law), and anyone other than a domestic employee who shares a Director's home.

Direct Compensation from Freddie Mac

A Director will not be deemed independent if, during any twelve-month period within the past three years, the Director or an immediate family member received more than \$100,000 in direct compensation from Freddie Mac (other than fees for Board service, and pension or other deferred compensation for prior service which is not contingent on continued service). If a Director or an immediate family member received any such compensation in an amount that did not exceed \$100,000 during any twelve-month period within the past three years, the Director will not be deemed independent unless the Board specifically determines otherwise.

Affiliation with or Employment by Freddie Mac's External Auditor

A Director will not be deemed independent if: (i) the Director is a partner or employee of Freddie Mac's current external auditor; (ii) an immediate family member of the Director is a partner of the current external auditor or an employee who participates in the auditor's audit, assurance or tax compliance practices; or (iii) during the last three years, the Director or an immediate family member was a partner or employee of the current external auditor and personally worked on Freddie Mac's audit.

Freddie Mac Executive Officer Membership on the Board of a Director's Employer

A Director will not be deemed independent if, within the past three years, a current executive officer of Freddie Mac served on the board of directors of the employer of the Director or of an immediate family member at the time that the Director or immediate family member was an executive officer of that employer.

Affiliation with an Entity that Does Business with Freddie Mac

A Director will not be deemed independent if the Director is an executive officer or employee, or an immediate family member is an executive officer, of a company that, during any one of that company's past three fiscal years, made payments to, or received payments from, Freddie Mac for property or services in an amount that exceeded the greater of \$1 million or 2% of that company's consolidated gross revenues in that fiscal year.

Consulting Services to Freddie Mac Executive Officers

Unless the Board makes a specific determination otherwise, a Director will not be considered independent if, during the past three years, (i) the Director or an immediate family member received any fees for providing accounting, consulting, legal, investment banking or financial advisory services to a current executive officer of Freddie Mac, (ii) the Director or an immediate family member was an executive officer, partner or managing director (or held a similar position) in a business unit that provided such services within an organization that received such fees, or (iii) the Director or an immediate family member was a 10% or more equity holder of an organization that received such fees.

Affiliation with a Charity that Receives Contributions from Freddie Mac

Unless the Board makes a specific determination otherwise, a Director will not be considered independent if the Director or the Director's immediate family member is an officer, director or trustee of a charitable institution (other than the Freddie Mac Foundation) that, during any one of the last three years, received more than \$100,000, or 2% of its consolidated gross revenues, whichever is greater, during that year from charitable contributions by Freddie Mac, direct contributions by the Freddie Mac Foundation, Freddie Mac Foundation matching contributions for executive officers, and contributions by executive officers of Freddie Mac.

Open Market Transactions in Freddie Mac Securities

A Director's independence will not be considered impaired because the Director, or an organization with which the Director is affiliated, buys or sells Freddie Mac securities in open market transactions or other arms-length transactions (such as auctions), for the Director's own account or the account of others.

6. DIRECTOR QUALIFICATIONS AND NOMINATIONS: Freddie Mac’s Board seeks candidates for election to the Board who have achieved a high level of stature, success and respect in their principal occupations. Directors must exemplify high standards of integrity and be committed both to Freddie Mac’s public mission and to the interests of its stockholders. Freddie Mac seeks to have a diversity of talent on the Board. Candidates will be selected for their character, judgment, experience and expertise. Candidates should have no actual or apparent conflicts of interest or other circumstances that make it inappropriate for them to serve on the Board.

Membership on Other Boards of Directors. Directors must have the ability and time to commit to Board service. For this reason, the Board has established the following recommendations and ceilings for membership by Outside Directors on the boards of directors of other publicly-traded companies, which vary with the nature of a Director’s employment. (The recommended limits and ceilings on the number of board memberships are in addition to a Director’s memberships on Freddie Mac’s Board and, for a CEO or other fully employed Director, the board of directors of the Director’s employer.):

<u>Employment Status</u>	<u>Recommendation</u>	<u>Ceiling</u>
CEO of a public company or other comparable position	None	No more than one
Other full-time employment	No more than two	No more than three
Other Directors	No more than four	No more than five

Members of Freddie Mac’s Audit Committee may not serve on more than two other public company audit committees.

The Board may permit a Director to serve on other boards of directors and/or audit committees in excess of the above ceilings if the Board determines, in light of the nature of such commitments, that such service will not impair the Director’s ability to serve effectively as a member of Freddie Mac’s Board and the Committees on which the Director sits. Any such determination shall be published in Freddie Mac’s annual proxy statement.

Termination of Freddie Mac Employment. A Freddie Mac employee whose employment terminates while he or she is a member of the Board of Directors shall be deemed to have tendered his or her resignation as a Director, effective as of the date of termination of his or her employment. The Board shall determine whether the resignation should be accepted in light of applicable circumstances.

Candidates for Nomination. The Board recognizes the benefits to be gained from both long-term service and the periodic addition of new members to the Board. As part of the annual nomination process, the Governance, Nominating and Risk Oversight Committee considers candidates for nomination that may come to its attention through several different means, including recommendations from Board members, senior management and professional search firms, stockholder nominations, and other sources. The Committee considers the needs of the Company and the talents and skills then available on the Board and makes appropriate recommendations. The Committee considers the independence of the stockholder-elected Directors, their willingness to continue to serve on the Board and devote the necessary time, the contributions that they have made to Board and Committee discussions and decision making, their continued involvement in business and professional activities relevant to the Company, the skills and experience that should be represented on the Board, the availability of other individuals with desirable skills to join the Board and the desire to maintain a diverse Board. The Committee then recommends, and the Board determines, whether to nominate such Directors for election for another term.

Term Limit. An Outside Director elected by the stockholders shall not be nominated for election or re-election to the Board if the Director will have served on the Board for ten or more years at the time of such election, unless the Board determines, on the recommendation of the Governance, Nominating and Risk Oversight Committee, that the interests of Freddie Mac and its stockholders strongly support continued service by that Director for another term, and any necessary regulatory approval has been obtained. Any such determination shall be disclosed in Freddie Mac's annual proxy statement. A Director shall not be renominated for more than one additional term on the basis of such a determination.

Pursuant to a determination made by the Board in order to ensure an orderly transition when the term limit was first adopted and approved by OFHEO, two current Directors have served on the Board for more than ten years. One of those Directors was not nominated for re-election at the annual stockholders' meeting in 2006 and the other will not be nominated for re-election at the meeting in 2007.

Age Limit. A Director elected by the stockholders shall not be nominated or renominated for election to the Board if the Director will have reached age 72 at the time of such election, unless the Board determines, on the recommendation of the Governance, Nominating and Risk Oversight Committee, that the interests of Freddie Mac and its stockholders strongly support continued service by that Director for another term, and any necessary regulatory approval has been obtained. Any such determination shall be disclosed in Freddie Mac's annual proxy statement. A Director shall not be renominated for more than one additional term on the basis of such a determination.

Change in Director Status. A change in a Director's status (such as a change in principal occupation) triggers a review by the Governance, Nominating and Risk Oversight Committee concerning the Director's continued membership on the Board. A Director shall inform the Board promptly of any such change in status or of any other change in circumstances that might cause the Board to conclude that the Director is no longer qualified to serve on the Board or that such service no longer is appropriate.

7. SELECTION OF CHAIRPERSON AND LEAD DIRECTOR: The Board elects one of its Directors as its Chairperson each year at its first meeting after the annual stockholders' meeting. If at any time the Chairperson is not an independent Outside Director, the Board also shall elect an independent Outside Director as Lead Director. If the Chairperson is an independent Outside Director, the Chairperson shall serve as Lead Director unless the Board elects another independent Outside Director to that position.

8. EXECUTIVE SESSIONS OF OUTSIDE DIRECTORS: The Outside Directors meet in regularly scheduled executive sessions at meetings of the Board, and at such additional times as the Chairperson (if an independent Outside Director), the Lead Director or a majority of the Outside Directors may determine. If any of the Outside Directors are not independent, then the independent Outside Directors also shall meet separately at least once each year. The Chairperson (if an independent Outside Director) or the Lead Director sets the agenda for meetings of the Outside Directors and, if applicable, the independent Outside Directors, based on input from the other Directors eligible to attend such meetings, and presides over the meetings.

9. COMMUNICATIONS: Any investor, employee or other interested party may contact the Board at an address published on Freddie Mac's Internet website (www.freddiemac.com) and in its annual proxy statement. Comments or complaints relating to accounting, internal accounting

controls or auditing matters will be forwarded to the Chair of the Audit Committee, for treatment pursuant to the Audit Committee's complaint procedures, and to the Lead Director. All other comments will be forwarded to the Lead Director. Comments that indicate that they are to be submitted to the Lead Director or the Chair of the Audit Committee anonymously or confidentially will be treated accordingly. Comments will be acknowledged in writing by the Corporate Secretary upon receipt, unless they are anonymous.

The Lead Director or Chair of the Audit Committee, as applicable, will take whatever action he or she believes appropriate in response to such communications and may seek advice from the other Outside Directors, the Board, a Board Committee, independent advisors and/or management.

Employees may communicate with management, the Internal Audit Division or the Audit Committee of the Board to express concerns or complaints regarding accounting matters, internal accounting controls or auditing matters. Procedures for employees to submit such concerns and complaints, which may be submitted anonymously, are set forth in a Corporate Policy available to all employees.

Management generally speaks on behalf of Freddie Mac. Public communications by the Board, when appropriate, will generally be made by, or at the direction of, the Chairperson of the Board.

10. ANNUAL BOARD PERFORMANCE EVALUATION: Each year, the standing Committees evaluate their performance. The Board also evaluates its performance and, with input from each of the standing Committees, the performance of those Committees. The evaluations include an assessment of the information being provided to the Board by management. The Governance, Nominating and Risk Oversight Committee oversees those evaluations and, based on the evaluations, makes appropriate recommendations to the Board and the Committees concerning their policies and procedures.

The Board reviews the performance of individual stockholder-elected Directors annually in conjunction with the nomination process.

11. EXECUTIVE OFFICER PERFORMANCE REVIEW AND COMPENSATION: The Compensation and Human Resources Committee annually evaluates the performance of Freddie Mac's CEO and approves the compensation of Freddie Mac's CEO and other executive officers, other than the General Auditor.

In determining the compensation of the CEO and the other executive officers, the Compensation and Human Resources Committee considers Freddie Mac's performance, the officers' individual performance, their duties and responsibilities, and compensation for employment involving similar duties and responsibilities in similar businesses.

The Audit Committee annually reviews the performance of, and determines the compensation of, Freddie Mac's General Auditor.

12. MANAGEMENT SUCCESSION: The Compensation and Human Resources Committee oversees the development and maintenance of succession plans for Freddie Mac's senior executives. These plans include possible scenarios for how to address succession, including in most cases the identification of one or more employees who could immediately fill each executive position. In the event of the CEO's inability to act or a vacancy in the position, the Chief Operating Officer will perform the CEO's duties until the Board appoints a temporary or long-term successor.

13. DIRECTOR ORIENTATION AND CONTINUING EDUCATION: The Board believes that an effective orientation program and ongoing education are beneficial in enabling Directors to fulfill their responsibilities. The Chairperson oversees development of the orientation program. The orientation for each new Director takes place as soon as practical after a Director joins the Board. The orientation consists of written materials and oral briefings by management that will assist the Director in effectively overseeing the Company and fulfilling the Director's duties. The orientation topics generally include Freddie Mac's charter and mission, business strategy and plans, significant risk exposures and risk management, financial statements, corporate governance, Directors' responsibilities, Code of Conduct and regulatory oversight.

The Board and individual Directors advise management about desired topics for Board discussions and continuing education to assist in fulfilling their duties as Directors. Continuing education for Directors includes presentations on relevant topics by speakers in conjunction with Board meetings.

Directors are encouraged to attend external educational and training programs relevant to their service as Directors. Freddie Mac pays Directors' expenses associated with external continuing education.

14. DIRECTOR COMPENSATION AND INVESTMENT IN FREDDIE MAC STOCK: Each year, the Board reviews compensation for Outside Directors. The Board believes that appropriate Director compensation:

- Helps attract and retain superior candidates to serve on the Board; and
- Should be weighted toward stock-based compensation to enhance alignment with stockholder interests, with restricted stock or other stock-based compensation constituting approximately 50% of Director compensation.

Within five years after joining the Board, Directors are expected to hold an investment in Freddie Mac stock of at least three times the annual Board retainer (currently \$60,000 per year), unless the Compensation and Human Resources Committee determines that it is unduly burdensome for a Director to make such an investment. This requirement may be satisfied by holding common stock received through equity compensation upon exercise of stock options or lapsing of restrictions on restricted stock or restricted stock units.

Employee Directors do not receive additional compensation for their Board service.

15. DIRECTOR ACCESS TO MANAGEMENT AND INDEPENDENT ADVISORS: Board members have complete access to Freddie Mac's management during and between Board meetings. In addition, the Board encourages the Chairperson to invite members of management to attend Board and Committee meetings to make presentations or to be available to respond to questions. The Board encourages direct communication between Directors and members of management, not limited to senior management.

The Board, its Outside Directors and any Board Committee (acting by a majority in each case) may retain any outside advisors that they deem appropriate to assist in fulfilling their responsibilities. Management will make funds available to pay any such advisors as directed by the Board, the Outside Directors or any Board Committee.

16. CODE OF CONDUCT: Freddie Mac Directors are subject to a Code of Conduct that is adopted by the Board and must agree to comply with that Code. Freddie Mac employees are subject to a Code of Conduct that is approved by the Audit Committee. The Chief Compliance Officer and

the Audit Committee oversee compliance with the Codes of Conduct. Employees must certify annually that they are in compliance with the Code and must respond to an annual questionnaire from the Chief Compliance Officer concerning Code compliance, the results of which are reported to the Audit Committee. The Director and employees Codes of Conduct shall be reviewed, and possible amendments to them shall be considered, at least once every three years. The Director and employee Codes of Conduct are published on Freddie Mac's Internet website (www.freddiemac.com) and will be provided in print to any stockholder on request.

June 1, 2006

**CHARTER OF THE AUDIT COMMITTEE
OF THE BOARD OF DIRECTORS
OF THE FEDERAL HOME LOAN MORTGAGE CORPORATION**

[Amended and Restated by the Board of Directors on June 1, 2006]

Organization, Membership Requirements and Committee Processes

The Audit Committee (the “Committee”) of the Board of Directors (the “Board”) of the Federal Home Loan Mortgage Corporation (“Freddie Mac”) shall consist of at least three members, including at least one “audit committee financial expert”, as defined in the regulations of the Securities and Exchange Commission. The membership of the Committee shall be independent and shall comply with all applicable laws, regulations and listing standards.

One member of the Committee shall be designated by the Board as the Committee’s Chairman.

Committee meetings generally shall include regular sessions with management and executive sessions with the internal auditors, the independent public accountants and the Chief Compliance Officer. At least annually, the Committee shall meet in executive session with the Chief Financial Officer. The Committee’s Chairman shall report regularly to the Board on the Committee’s activities and minutes of the Committee’s meetings shall be submitted to the Board.

The members of the Committee shall have access to any employees of Freddie Mac, and shall have the authority to engage outside consultants or advisors including, but not limited to, attorneys, accountants, auditors and management consultants, as the Committee may deem appropriate to fulfill its responsibilities. Freddie Mac shall provide appropriate funding for the retention of any such consultants or advisors and for other necessary and appropriate administrative expenses of the Committee, all as determined by the Committee.

Purposes, Powers, Duties and Responsibilities of the Committee

Pursuant to the authority granted to it by the Board, the Committee is hereby charged with the following authority and responsibilities:

1. To oversee the performance of the Internal Audit Department, including:
 - (a) to approve the Charter for the Internal Audit Department and any subsequent changes thereto;
 - (b) to hire and, at least annually, to evaluate the performance and determine the compensation of, and decide whether to retain, the Senior Vice President — General Auditor;
 - (c) to approve the annual plan, organization and staffing for the Internal Audit Department for the upcoming year, including any amendments to such plan;
 - (d) to review, with the Senior Vice President — General Auditor, the results of audits completed since the previous report and the status of the internal audit plan; and
 - (e) to assess the effectiveness of the Internal Audit Department in light of its Charter, its annual plan, and applicable professional standards.

2. To appoint and to oversee the performance of, and relationship with, the independent public accountants, who shall report directly to, and be ultimately accountable to, the Committee, including:

(a) to appoint, evaluate and, as the Committee may deem it appropriate, terminate and replace the independent public accountants, in accordance with applicable legal requirements, including those relating to conflicts of interest and rotation of audit partners;

(b) to pre-approve any audit services, and any non-audit services permitted under applicable law, to be performed by the independent public accountants (or to designate one or more members of the Committee to pre-approve such services and to report such pre-approval to the Committee);

(c) to determine the compensation of the independent public accountants, funding for which shall be provided by Freddie Mac, and to approve any other fees that may be paid for services performed by any affiliate of the independent public accountants;

(d) to approve the independent public accountants' proposed audit scope and approach;

(e) to review with the independent public accountants and, as the Committee deems appropriate, with management, the annual audit, the management letter and management's responses to the letter, any other material communications between the independent public accountants and management, including any such communications required by applicable professional standards, and any other matters the Committee may deem appropriate;

(f) to resolve any disagreements between management and the independent public accountants concerning financial reporting;

(g) to review with the independent public accountants any audit problems or difficulties and management's response;

(h) to obtain and review, at least annually, a formal written statement by the independent public accountants delineating all relationships between the independent public accountants and Freddie Mac, to discuss with the independent public accountants any disclosed relationships or services that may affect the objectivity and independence of the independent public accountants and to take appropriate action in response to the independent public accountants' statement to satisfy itself as to the continuing independence of the independent public accountants; and

(i) to obtain and review, at least annually, a report by the independent public accountants describing the firm's internal quality-control procedures and any material issues raised by the most recent internal quality-control review, or peer review, of the firm, or by any inquiry, investigation or inspection by governmental or professional authorities, within the preceding five years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues.

3. To approve and review compliance with a policy concerning the hiring by Freddie Mac of current or former employees of the independent public accountants.

4. To approve and review compliance with a policy concerning the retention by Freddie Mac of accounting firms other than the independent public accountants.

5. To oversee the integrity of Freddie Mac's financial statements and disclosure, including:
 - (a) to review, with the independent public accountants and the Executive Vice President — Finance and Chief Financial Officer, the impact of any significant accounting, financial reporting or federal income tax financial reporting matters, changes or disputes affecting Freddie Mac's financial statements (including critical accounting policies, which include management judgments and estimates, and alternative accounting treatments);
 - (b) to review, with the independent public accountants and the Executive Vice President — Finance and Chief Financial Officer, drafts of Freddie Mac's quarterly condensed financial statements and annual financial statements, including Management's Discussion and Analysis of Financial Condition and Results of Operations, and, if appropriate, to recommend to the Board that the audited annual financial statements be included in the Annual Report to Shareholders;
 - (c) to review other significant Freddie Mac financial disclosure matters as identified by the Executive Vice President — Finance and Chief Financial Officer or the independent public accountants;
 - (d) to review, with the Executive Vice President — Finance and Chief Financial Officer, drafts of Freddie Mac's earnings press releases and the types of information to be disclosed, and the types of presentations to be made, in any earnings guidance provided to analysts and rating agencies; and
 - (e) to review, with the Executive Vice President — Finance and Chief Financial Officer, the adequacy of Freddie Mac's disclosure controls and procedures, including internal controls over financial reporting; any significant findings or recommendations by the independent public accountants or the Senior Vice President — General Auditor with respect to those controls; and management's responses to any such findings or recommendations.
6. To prepare the Committee's report for inclusion in Freddie Mac's annual proxy statement, in accordance with applicable regulatory requirements.
7. To review the annual reports of examination of the Office of Federal Housing Enterprise Oversight regarding the safety and soundness of Freddie Mac, and the findings and conclusions of any investigations of Freddie Mac or its operations produced by any governmental entity.
8. To assist Board oversight of Freddie Mac's compliance with legal and regulatory requirements, including by:
 - (a) reviewing with the Senior Vice President — Chief Compliance Officer Freddie Mac's compliance with legal and regulatory requirements and to meet at least annually with the Senior Vice President — Chief Compliance Officer in executive session;
 - (b) adopting and maintaining procedures for the submission, receipt, retention and treatment of complaints concerning accounting, internal accounting controls or auditing matters (including confidential, anonymous complaints by employees), or such other complaints as may come before the Committee, and overseeing the resolution of such complaints;
 - (c) taking action, as the Committee deems appropriate, to investigate and respond to any report of evidence of a material violation of federal or state securities law, material breach of fiduciary duty or other similar violation of federal or state law;

- (d) obtaining from the Senior Vice President — Chief Compliance Officer, the internal auditors, outside counsel, or any other internal or external party who investigates any complaint or report as specified in (b) or (c) above, a report concerning the issues, status and resolution of the complaint or report; and
 - (e) reviewing, at least annually, Freddie Mac’s compliance with capital and reporting requirements of the Office of Federal Housing Enterprise Oversight.
9. To review with Freddie Mac’s Executive Vice President — General Counsel, at least annually, the status of litigation in which Freddie Mac is involved, with such review to be more frequent in the case of litigation which is expected to have a significant impact on Freddie Mac’s financial statements.
10. To oversee management’s development and implementation of systems and programs for the detection and prevention of fraud.
11. With respect to risk assessment and risk management, at least annually:
- (a) to review with the Executive Vice President — Finance and Chief Financial Officer, the Senior Vice President — Chief Enterprise Risk Officer, and other members of management, as appropriate, management’s guidelines and policies governing the processes for assessing and managing Freddie Mac’s risks; and
 - (b) to meet in joint session with the Finance & Capital Deployment Committee to review Freddie Mac’s major financial risk exposures (including but not limited to market, credit and operational risks) and the steps management has taken to monitor and control such exposures.
12. With respect to the Corporation’s Codes of Conduct:
- (a) to approve material amendments to the Code of Conduct for Freddie Mac Employees (the “Employee Code”) and to report to the Board at least annually on such amendments;
 - (b) to recommend to the Board, as may be appropriate, changes to the Code of Conduct for Members of Freddie Mac’s Board of Directors (the “Director Code”); and
 - (c) to review any significant violations of the Employee Code and the Director Code that have been communicated to the Committee by the Chief Compliance Officer.
13. To review, at least annually, under the oversight of the Governance, Nominating and Risk Oversight Committee, this Committee’s performance, including review of its structure and operations (including authority to delegate to subcommittees), its process for reporting to the Board, and the process for determining the membership of the Committee, including qualifications for Committee membership.
14. To review and reassess the adequacy of the Committee’s Charter on an annual basis and recommend any changes to the Board for approval.
15. To perform such other duties as may from time to time be assigned by the Board or requested by the Board’s Chairman or the Lead Director.