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Freddie Mac
8200 Jones Branch Drive
McLean, Virginia 22102

TO THE STOCKHOLDERS OF FREDDIE MAC

May 7, 2007

Dear Freddie Mac Stockholder:

We are pleased to invite you to attend Freddie Mac's annual stockholders' meeting to be held on Friday, June 8, 2007, 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 May 7, 2007.

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,

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 June 8, 2007, 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, 2007;
- (3) approving the amendment and restatement of the 1995 Directors' Stock Compensation Plan; and
- (4) transacting any other business that may properly come before the meeting or any adjournment thereof.

RECORD DATE

March 30, 2007 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.freddiemac.com/investors> at 9:00 a.m. on June 8, 2007. 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 address of 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, the ratification of the appointment of our independent auditors and the amendment and restatement of the 1995 Directors’ Stock Compensation Plan.

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, June 7, 2007.

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 your 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,

A handwritten signature in black ink, appearing to read "Robert E. Bostrom", written in a cursive style.

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

Dated: May 7, 2007
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 June 8, 2007.

What am I voting on?

You will be voting on the following three items:

- election of 13 members to the Board;
- 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, 2007; and
- approval of the amendment and restatement of the 1995 Directors' Stock Compensation Plan, or the Directors' Plan.

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 March 30, 2007, the record date, are entitled to vote at the annual meeting. As of the record date, there were 661,540,276 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 for each share of Freddie Mac common stock they owned on the record date for each matter presented to the stockholders for a vote. 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 as votes cast.

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.

About the Meeting

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

If you want to vote in person at the annual meeting and you hold your shares in “street name,” you must bring a proxy letter issued by your broker or bank to vote your shares in person at the meeting.

Can I change my vote after voting by proxy?

Yes. You can change or revoke your proxy at any time before the polls are declared open at 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 March 30, 2007 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, 2007 and the approval of the amendment and restatement of the Directors’ Plan require a majority of the votes cast at the meeting to be voted “for” such proposals. 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, 2006 that are filed with us and that are the equivalent of reports on Schedule 13G and 13D 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 December 29, 2006, Capital Research and Management

Company, 333 South Hope Street, 55th Floor, Los Angeles, CA 90071-1447, beneficially owned 74,960,000 shares, or 11.3%, of our outstanding common stock based on the number of shares outstanding on December 31, 2006. Additionally, as of December 31, 2006, AXA Financial, Inc., 1290 Avenue of the Americas, New York, New York 10104, beneficially owned 41,855,638 shares, or 6.3%, 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.

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 count 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 the rules of the New York Stock Exchange, or NYSE, 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 2007 currently 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.”

Under NYSE rules, your broker or nominee may not vote on the proposal relating to the amendment and restatement of the Directors’ Plan without your specific instructions.

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 on such a proposal, 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 the appointment of PricewaterhouseCoopers as our independent auditors for the fiscal year ending December 31, 2007;
- “for” the approval of the amendment and restatement of the Directors’ Plan; and
- in accordance with the best judgment of the named proxies on any other matters properly brought before the meeting.

Can I have 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 reduce 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) that you incur 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 at any time before the polls are declared open at the annual meeting.

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 our Information Statement and Annual Report to Stockholders, or 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 corporate governance 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 listed, including the NYSE.

Corporate Governance Guidelines

In March 2007, the Board adopted revised Corporate Governance Guidelines, or the Guidelines, which 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, no member of the Board who served as a director in 2006 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 Listed Company Manual 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 June 8, 2007 will be, independent within the meaning of Section 303A.02 of the NYSE Listed Company Manual 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 June 8, 2007 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 Listed Company Manual.

In making the foregoing independence determinations, as required under our Guidelines, the non-employee directors considered the relationship between Freddie Mac and the National Housing Conference, or NHC, where Mr. Retsinas is a member of the board of trustees and the board of governors. Freddie Mac's contributions to this organization in 2006 exceeded the greater of \$100,000 or two percent of NHC's gross revenues. Because Freddie Mac's relationship with NHC preceded the Board's consideration of Mr. Retsinas as a director candidate, and given the nature of Freddie Mac's relationship with NHC and the nature of Mr. Retsinas' affiliation with NHC, including the fact that he does not hold an executive position at NHC, the non-employee directors determined that the relationship was not material and would not impair Mr. Retsinas' independence. The non-employee directors were also aware of other relationships arising from (1) contributions by Freddie Mac to charitable organizations with which directors or director nominees or members of their immediate families are affiliated, (2) ordinary business relationships between Freddie Mac and entities on whose boards of directors our directors or director nominees serve, and (3) ordinary business relationships between Freddie Mac and entities where directors are or were executives. None of these other relationships exceeded the thresholds set forth in the independence standards in our Guidelines.

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, as well as a member of the Board. Because Messrs. Syron and McQuade are both employees of Freddie Mac, neither of them is independent under the Guidelines or the NYSE Listed Company Manual.

We recently extended an offer to Mr. McQuade to succeed Mr. Syron as Chief Executive Officer. Mr. McQuade has informed us that he does not wish to accept this offer and that he has decided to leave Freddie Mac at the conclusion of his current employment agreement on September 1, 2007 to pursue a position guiding a more traditional financial institution. Mr. McQuade will continue as President and Chief Operating Officer of Freddie Mac until that date.

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. Ronald F. Poe, who has served on the Board for more than ten years pursuant to a waiver granted by OFHEO, will retire from the Board effective as of the end of his current term.

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 Sections 303A.06 and 303A.07 of the NYSE Listed Company Manual. The current members of the Audit Committee are Robert R. Glauber, Richard Karl Goeltz, Thomas S. Johnson, Shaun F. O’Malley and Stephen A. Ross.

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 executives and financial officers required by the Sarbanes-Oxley Act and SEC regulations. 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.”

Lead Director

The bylaws provide for 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. If the Chairman is an independent director, the non-employee directors may nominate another independent director to serve as Lead Director. If they do not do so, the Chairman will serve as Lead Director. 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 "Compensation Discussion and Analysis" 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. Our only class of voting stock is our common stock. The following table shows the beneficial ownership of our common stock as of April 2, 2007 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 April 2, 2007, 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 April 2, 2007

Name	Position	Common Stock Beneficially Owned Excluding Stock Options*	Stock Options Exercisable Within 60 Days of April 2, 2007	Total Common Stock Beneficially Owned*
Barbara T. Alexander	Director	813	1,815	2,628
Martin F. Baumann	Former EVP, Finance and Chief Financial Officer	8,892 ⁽¹⁾	0	8,892
Geoffrey T. Boisi	Director	2,284	1,815	4,099
Patricia L. Cook	EVP, Investments & Capital Markets	9,122 ⁽²⁾	28,085	37,207
Michelle Engler	Director	8,546 ⁽³⁾	6,777	15,323
Robert R. Glauber	Director	0	0	0
Richard Karl Goeltz	Director	7,480 ⁽⁴⁾	5,816	13,296
Thomas S. Johnson	Director	8,743 ⁽⁵⁾	3,618	12,361
William M. Lewis, Jr.	Director	4,180 ⁽⁶⁾	1,815	5,995
Eugene M. McQuade	President and Chief Operating Officer; Director	55,761 ⁽⁷⁾	56,385	112,146
Shaun F. O'Malley	Lead Director	7,210 ⁽⁸⁾	7,102	14,312
Jeffrey M. Peek	Director	3,257 ⁽⁹⁾	430	3,687
Anthony S. Pizsel	EVP and Chief Financial Officer	0	0	0
Ronald F. Poe**	Director	65,332 ⁽¹⁰⁾	23,515	88,847
Nicholas P. Retsinas	Director nominee	0	0	0
Stephen A. Ross	Director	21,059 ⁽¹¹⁾	13,010	34,069
Joseph A. Smialowski	EVP, Operations and Technology	10,538 ⁽¹²⁾	14,100	24,638
Richard F. Syron	Chairman of the Board and Chief Executive Officer	156,440 ⁽¹³⁾	207,630	364,070
All directors and executive officers as a group (28 persons) ⁽¹⁴⁾		422,089 ⁽¹⁵⁾	466,588	888,677

5% Holder***	Common Stock Beneficially Owned	Percent of Class
Capital Research & Management Company 333 South Hope Street, 55 th Floor Los Angeles, CA 90071-1447	74,960,000 ⁽¹⁶⁾	11.3%
AXA Financial, Inc. 1290 Avenue of the Americas New York, NY 10104	41,855,638 ⁽¹⁷⁾	6.3%

* Includes shares of stock beneficially owned as of April 2, 2007. Also includes restricted stock units, or RSUs, vesting within 60 days of April 2, 2007. An RSU represents a conditional contractual right to receive one share of Freddie Mac common stock at a specified future date. See “Board Compensation — Equity Compensation” and “Compensation Discussion and Analysis” below for more information.

** Mr. Poe will retire from the Board effective as of the end of his current term.

*** 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 April 2, 2007. Includes 3,530 RSUs.
- (2) Includes 4,413 RSUs.
- (3) Includes 2,213 RSUs and 267 dividend equivalents on RSUs.
- (4) Includes 2,520 RSUs and 120 dividend equivalents on RSUs.
- (5) Includes 1,567 RSUs and 59 dividend equivalents on RSUs.
- (6) Includes 786 RSUs and 29 dividend equivalents on RSUs.
- (7) Includes 13,238 RSUs.
- (8) Includes 1,295 RSUs and 49 dividend equivalents on RSUs.
- (9) Includes 336 RSUs and 5 dividend equivalents on RSUs.
- (10) Includes 1,295 RSUs and 49 dividend equivalents on RSUs. Also includes 9,071 shares held by Mr. Poe's spouse, as to which Mr. Poe disclaims beneficial ownership, and 6,000 shares pledged as partial collateral securing a line of credit.
- (11) Includes 4,918 RSUs and 546 dividend equivalents on RSUs.
- (12) Includes 3,310 RSUs.
- (13) Includes 19,413 RSUs.
- (14) 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 and Corporate Services; our Senior Vice President, General Auditor; our Senior Vice President, Corporate Controller and Principal Accounting Officer; and any Senior Vice Presidents designated by the CHRC as executive officers.
- (15) Includes 68,735 RSUs and 1,124 dividend equivalents on RSUs.
- (16) Based on a review of beneficial ownership reports as of December 31, 2006 that are filed with us and that are the equivalent of reports on Schedule 13G and 13D 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 December 29, 2006, Capital Research & Management Company beneficially owned 74,960,000 shares, with sole voting power as to zero shares and sole dispositive power as to 74,960,000 shares.
- (17) Based on a review of beneficial ownership reports as of December 31, 2006 that are filed with us and that are the equivalent of reports on Schedule 13G and 13D filed with the SEC, AXA Financial, Inc. beneficially owned 41,855,638 shares, with sole voting power as to 28,075,283 shares, shared voting power as to 4,735,945 shares, sole dispositive power as to 41,837,616 shares and shared dispositive power as to 18,022 shares.

PROPOSAL 1: ELECTION OF DIRECTORS

Director Nomination Process

Under its charter, the Governance, Nominating and Risk Oversight Committee of the Board, or 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 is composed of the following five directors, each of whom is independent under the Guidelines and the NYSE Listed Company Manual: 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 February 2, 2007, the deadline for stockholder nominations of candidates for election as directors was April 19, 2007. 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 — Corporate Governance Guidelines" above.

Stockholder nominees for election to the Board will be evaluated by the GNROC based on the criteria specified above in the same way as is 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 five 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. Each of the persons named below is nominated for reelection at this meeting, except for Nicolas P. Retsinas, who is being nominated for election to the Board for the first time at this meeting. Mr. Retsinas was identified as a potential candidate by a third-party search firm retained to assist the GNROC in its search for possible director candidates. The evaluation of the suitability of Mr. Retsinas as a director 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 12 nominees for reelection to the Board attended the September 8, 2006 annual meeting. If any of the 13 nominees is unable or unwilling to serve as a director 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 occupations, business experience and other matters.



BARBARA T. ALEXANDER

Director since 2004

Age 58

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, Harrah's Entertainment, Inc., where she is chair of the Audit Committee and Qualcomm Incorporated, where she is a member of the Audit Committee. She also is a member of the board of directors of HomeAid America and an Executive Fellow at the Joint Center for Housing Studies at Harvard University, where Mr. Retsinas is the Director.



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 49

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

Director since 2006

Age 68

Mr. Glauber is a Visiting Professor at the Harvard Law School in the spring semester 2007 and a Lecturer at Harvard's Kennedy School of Government. Prior to that, he served as Chairman and Chief Executive Officer of the National Association of Securities Dealers, or NASD, from September 2001 to September 2006, after becoming NASD's CEO and President in November 2000 and a member of NASD's board in 1996. Prior to becoming an officer at NASD, he was a Lecturer at the Kennedy School from 1992 until 2000, Under Secretary of the Treasury for Finance from 1989 to 1992 and, previous to that, a Professor of Finance at the Harvard Business School. Mr. Glauber served as Executive Director of the Task Force appointed by President Reagan to report on the 1987 stock market break ("Brady Commission"). He has served on the board of the Federal Reserve Bank of Boston, a number of Dreyfus mutual funds, the Investment Company Institute, and as president of the Boston Economic Club. Mr. Glauber also is a director of Moody's Corporation, where he is a member of the Audit Committee, a director of Quadra Realty Trust, Inc., where he is a member of the Audit Committee, and lead director of XL Capital Ltd., where Mr. McQuade, our President and Chief Operating Officer, also is a director. Mr. Glauber has been a Senior Advisor at Peter J. Solomon Co., an investment bank, since November 2006.



RICHARD KARL GOELTZ

Director since 2003

Age 64

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 Delta Air Lines, Inc.; 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 66

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.; and the Phoenix Companies, where he is Chairman of the Audit Committee.



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 58

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 is a director of XL Capital Ltd., where Mr. Glauber also is a director.



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, 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, and on the Board of Directors of PolyMedix, Inc., where he is Chair of the Audit Committee.



JEFFREY M. PEEK

Director since 2006

Age 60

Mr. Peek is Chairman and Chief Executive Officer of CIT Group Inc., a global commercial and consumer finance company. 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.



NICOLAS P. RETSINAS

Director Nominee

Age 60

Since 1998, Mr. Retsinas has been Director of Harvard University's Joint Center for Housing Studies, where Ms. Alexander is an Executive Fellow. He also is a lecturer in Housing Studies at the Graduate School of Design and the Kennedy School of Government, and is a lecturer in Real Estate at the Harvard Business School. Prior to his Harvard appointment, Mr. Retsinas served as Assistant Secretary for Housing — Federal Housing Commissioner at the United States Department of Housing and Urban Development from 1993 to 1998 and as Director of the Office of Thrift Supervision from 1996 to 1997. He served on the Board of the Federal Deposit Insurance Corporation from 1996 to 1997, the Federal Housing Finance Board from 1993 to 1998 and the Neighborhood Reinvestment Corporation from 1993 to 1998. Mr. Retsinas is Chairman of the Board of Directors of Habitat for Humanity International and serves on the Board of Trustees for the National Housing Endowment, Enterprise Community Partners and the National Housing Conference.



STEPHEN A. ROSS

Director since 1998

Age 63

Mr. Ross has been the Franco Modigliani Professor of Financial 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 IVC International 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. He served as a CREF trustee from 1991 to 2004 and as a director of General Re Corporation from 1993 to 1998.



RICHARD F. SYRON

Director since 2003

Age 63

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 11 times in 2006 and three times during the period from January 1, 2007 through April 2, 2007. During 2006, 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 Compensation and Human Resources Committee, or the CHRC, the Finance and Capital Deployment Committee, the GNROC and the Mission, Sourcing and Technology Committee. Except for the charter of the Finance and Capital Deployment Committee, which was last revised in June 2006, the charters of each of the current standing committees were revised in March 2007. All the charters of the standing committees are available on our website at www.freddiemac.com. Printed copies also are available to any stockholder upon request to the Corporate Secretary, at the address specified above under “Contacting the Board.”

In addition to these standing committees, a Special Derivative Litigation Committee, or 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. The SDLC was dissolved by the Board of Directors in April 2007 because the stockholder derivative litigation for which it was responsible had been resolved. 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 2006 and during the period January 1, 2007 through April 2, 2007, is shown in the table below.

<u>Director</u>	<u>Audit</u>	<u>CHRC</u>	<u>Finance and Capital Deployment</u>	<u>GNROC</u>	<u>Mission, Sourcing and Technology</u>	<u>SDLC</u>
B. Alexander			✓		✓	
G. Boisi		Chair		✓	✓	
M. Engler		✓			✓	Chair
R. Glauber	✓		✓			
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⁾						
2006 Meetings ⁽²⁾	11	7	6	9	7	2
2007 Meetings ⁽³⁾	4	3	2	2	2	0

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

(2) Includes one joint meeting of the Audit Committee and the GNROC, five joint meetings of the CHRC and GNROC and one joint meeting of the Finance and Capital Deployment Committee and the Mission, Sourcing and Technology Committee.

(3) January 1, 2007 through April 2, 2007.

The following is a description of the standing Board committees and their responsibilities:

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; to approve and evaluate the annual plan, budget, organization and staffing for the internal auditors, including amendments to

Proposal 1: Election of Directors

such plan or budget; and to assess, at least annually, the effectiveness of the internal auditors. The committee also conducts an annual evaluation of the committee's performance, including its oversight responsibilities described above.

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

The CHRC's primary responsibility is to oversee our executive compensation program. The executive officers for whom the CHRC has compensation-setting authority include our Chief Executive Officer, President and Chief Operating Officer, Chief Financial Officer, principal accounting officer, any officer in charge of a principal business unit, division, or function, any other officer who performs a significant policy-making function, as determined by the CHRC, and any other officer at the level of Senior Vice President or above whose target total compensation exceeds \$2 million.

The CHRC's specific responsibilities include: in consultation with senior management, to approve our executive compensation philosophy; to approve the compensation of our executive officers, including approving the goals and objectives relevant to determining the compensation of the Chief Executive Officer, evaluating the Chief Executive Officer'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 Chief Executive Officer'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 our pension plan and thrift plan; to review the management of our human resources; to review plans, policies and procedures for management succession; and to conduct an annual evaluation of the CHRC's performance.

The CHRC, with input from other non-employee directors, annually reviews and approves the compensation of our Chief Executive Officer and President and Chief Operating Officer. The CHRC also annually reviews and approves the compensation of all other executive officers. When possible, including in 2006, management provides competitive market data and otherwise begins discussions concerning executive compensation with the CHRC at least one meeting in advance of the meeting at which the CHRC makes its annual executive compensation decisions. For executive officers other than the Chief Executive Officer, the Chief Executive Officer, working with the President and Chief Operating Officer and the Executive Vice President, Human Resources and Corporate Services, make recommendations to the CHRC regarding executive compensation actions. The CHRC Chair, with the support of Hewitt Associates LLC ("Hewitt"), the compensation consultant retained by the CHRC, and the Executive Vice President, Human Resources and Corporate Services, as appropriate, prepares a recommendation regarding compensation of the Chief Executive Officer for the CHRC's approval. The CHRC approves salary adjustments, annual bonus payments and targets, and long-term equity awards and targets after reviewing these recommendations.

The CHRC also has the authority to award a sign-on grant and sign-on cash incentive of up to \$1,500,000 in the aggregate to any non-executive officer. In addition, under the CHRC's charter, the CHRC Chair may approve any executive compensation action where competitive circumstances preclude delaying approval to the next CHRC meeting, provided that the Chair reports to the CHRC on such action at its next regularly scheduled meeting.

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

The Finance and Capital Deployment Committee's primary functions are: to review our capital requirements, management, allocation and plan; to recommend dividends on, and issuances and repurchases of, 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 recommend non-employee director compensation; 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 Listed Company Manual for governance and nominating committees.

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

Interaction with Compensation Consultants

The CHRC has retained and is assisted by Hewitt, a 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. Hewitt may provide services directly to the CHRC or, depending on the project, work with the Executive Vice President — Human Resources and Corporate Services and his staff to provide information and materials to the CHRC with respect to

Proposal 1: Election of Directors

its executive compensation responsibilities. The Executive Vice President — Human Resources and Corporate Services is management's primary contact with Hewitt and is responsible for assisting Hewitt in carrying out its assignments for the CHRC, but, as necessary and appropriate, Hewitt may communicate with other executive officers and with governance attorneys in the Legal Division in carrying out executive compensation projects.

Hewitt's role is to assist the CHRC in discharging its responsibilities with respect to its oversight of compensation and benefits, which includes apprising the CHRC of best practices as well as emerging compensation trends and issues, including compensation governance. Specifically, Hewitt is responsible for:

- providing advice and market data to CHRC members on executive compensation matters covered by the CHRC charter to ensure alignment with our business and strategic objectives, our pay philosophy, and prevailing market and governance practices;
- at the discretion of the CHRC Chair or the GNROC Chair (for non-employee director compensation), reviewing the materials prepared for meetings of these committees and attending committee meetings to respond to questions;
- reviewing the portions of our draft annual proxy statement relating to executive compensation, including the Compensation Discussion and Analysis; and
- providing advice and market data to the GNROC (in 2006, the CHRC) on non-employee director compensation.

In addition, on an ad-hoc basis, the CHRC or the Board may engage Hewitt on special projects. Hewitt also is expected to attend meetings the CHRC deems appropriate throughout the course of the year and to remain available for consultation with the CHRC Chair and management.

During 2006, Hewitt's primary consultant for Freddie Mac attended (either in person or via telephone) or made himself available to participate in every CHRC meeting. Additionally, the CHRC has set aside time at its quarterly meetings for the CHRC to meet with Hewitt without management present in order to discuss any executive compensation questions, comments or concerns.

Prior to November 2005, Hewitt was engaged directly by management and provided consulting services to both the CHRC and management. In response to our executive compensation best practices review in November 2005, the CHRC engaged Hewitt directly and required management to disclose annually to the CHRC the work performed by and fees paid to Hewitt, including any work Hewitt performed for management. More recently, the Board of Directors adopted a new policy on the selection and retention of outside advisors to the Board. This new policy includes a process by which the CHRC must annually review and pre-approve any services that Hewitt will provide to management so that the CHRC can determine that Hewitt's acceptance of engagements and remuneration from management has not impaired the firm's ability to provide independent advice regarding management compensation to the CHRC.

During 2006 Hewitt advised the CHRC on senior management and non-employee director compensation and various other compensation and benefit related matters including the following: stock ownership guidelines for executive officers and non-employee directors; 2006 proxy statement review; executive compensation best practices; Comparator Group review (see "Compensation

Discussion and Analysis” for a discussion of the Comparator Group); and review of all CHRC meeting materials.

Hewitt also provided consulting services to management during 2006 in the general areas of compensation, benefits, communication, organizational effectiveness, and process improvement. However, the involvement of the CHRC’s primary consultant at Hewitt in services to management was limited to providing advice on regulatory proposals regarding executive compensation and matters with respect to executive officer compensation and incentive plan design.

Board Compensation

Each year, the Board reviews compensation for our non-employee directors. The components of our non-employee director compensation are cash fees and stock awards. The Board believes that appropriate compensation levels help attract and retain superior candidates for Board service and that director compensation should be weighted toward stock-based compensation to enhance alignment with the interests of our stockholders. Consistent with our Guidelines, stock-based compensation currently constitutes approximately 50% of director compensation. Effective March 3, 2007, all stock-based compensation for directors will be in the form of grants of RSUs. Prior to March 3, 2007, including grants made in 2006, the annual equity grant consisted of a mix of stock options and RSUs.

Our non-employee director stock ownership guidelines, which are discussed in greater detail below, also are designed to align the interests of our non-employee directors with those of our stockholders.

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, 2007, the Board approved increases in the cash fees paid to members of our Audit Committee to recognize the high level and complexity of the work required of them. The following table shows the cash and equity compensation levels currently in effect and the levels that were in effect in 2006.

Non-Employee Director Compensation

	2007	2006
Board Service		
Cash Compensation		
Annual Retainer	\$ 60,000	\$ 60,000
Annual Supplemental Retainer for Lead Director	100,000	100,000
Per Meeting Fee	1,500	1,500
Initial and Annual Equity Compensation ⁽¹⁾		
Stock Options	—	\$115,000
RSUs	\$120,000	90,000
Committee Service (Cash)		
Annual Retainer for Committee Chair (other than Audit)	\$ 10,000	\$ 10,000
Annual Retainer for Audit Committee Chair	30,000	20,000
Per Meeting Fee (other than Audit)	1,500	1,500
Per Meeting Fee for Audit Committee Members	3,000	2,500
Per Interview Fee for Director Recruiting	1,500	1,500
Per Interview Fee for SDLC Litigation-related Interviews	—	1,500

- (1) For 2006, newly elected and newly appointed non-employee directors during their first term received initial grants of options to purchase our common stock with a fair market value of approximately \$115,000 and RSUs with a fair market value of approximately \$90,000 on the date of the annual stockholders' meeting or, if the election or appointment occurs midterm, on the date of the first Board meeting following the director's election or appointment. For 2007, newly elected and newly appointed non-employee directors during their first term receive initial grants of RSUs with a fair market value of approximately \$120,000 on the date of the annual stockholders' meeting or, if the election or appointment occurs midterm, on the date of such director's election or appointment prorated based on the number of whole months from the date of election or appointment until the next expected stockholders' meeting.

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

Under the Directors' Plan and the Directors' Deferred Compensation Plan, an unfunded, non-qualified plan, directors may elect to defer receipt of cash fees and stock awards as well as elect to convert cash fees into stock. Cash deferred is credited to a director's account as of the date the amounts would have otherwise been paid to the director. For 2006, four directors elected to defer all or a portion of their 2006 cash fees into deferred stock.

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. Non-employee directors receive stock-based compensation under the Directors' Plan, the amendment and restatement of which is being submitted to stockholders at this annual stockholders' meeting for approval. See "Proposal 3: Approval of Amendment and

Proposal 1: Election of Directors

Restatement of the 1995 Directors' Stock Compensation Plan" below for more information on the Directors' Plan.

The exercise price of stock 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 RSUs 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. During 2006, fair market value was defined under the Directors' Plan as the average of the high and the low trading prices of a share of our common stock reported for such date or, if no such prices were reported for such date, on the most recent trading day prior to such date for which such prices were reported. In March 2007, the definition of fair market value under the Directors' Plan was modified to be the closing sales price, rather than the average of the high and low sales prices of a share of our common stock. As of March 3, 2007, non-employee director equity compensation no longer includes stock options. For RSU grants made on or after March 3, 2007, vesting occurs in four equal increments with 25% vesting on each anniversary date of the grant, unless vesting is accelerated under certain circumstances, including death, disability or retirement from the Board. For equity grants outstanding as of March 3, 2007, vesting with respect to both stock options and RSUs occurs in equal 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.

Prior to January 1, 2006, stock options granted to our non-employee directors had dividend equivalent rights on each share underlying the option equal to the dividend per share declared and paid on our outstanding 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. In response to Internal Revenue Code Section 409A, the Board approved a modification of the terms of certain outstanding stock options granted under the Directors' Plan. In particular, 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 were modified to eliminate the accrual of dividend equivalents. Dividend equivalents accrued through December 31, 2005 with respect to these stock options were distributed in a lump sum in 2006. Thereafter, dividend equivalents with respect to these stock options will not accrue, but will be distributed as soon as practicable after dividends on our common stock have been declared. As of January 1, 2006, dividend equivalents are no longer granted in connection with awards of stock options to non-employee directors.

Dividend equivalents on RSUs granted to our non-employee directors are accrued as additional RSUs and are generally settled at the same time as the underlying RSUs. However, unlike the underlying RSUs, the dividend equivalents on RSUs are not subject to a vesting schedule and are settled upon termination irrespective of whether the underlying RSUs vest. A director will forfeit unvested RSUs upon a termination other than for death, disability or retirement. Retirement for purposes of the Directors' Plan is a termination resulting from the director's attaining 72 years of age or ten consecutive terms in office.

Non-Employee Director Stock Ownership Guidelines. Under the Guidelines, non-employee directors generally are expected to hold an investment of at least five times the annual Board retainer in our common stock within five years after joining the Board, unless the GNROC 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 \$300,000. This requirement may be satisfied by holding common stock received upon exercise of stock options or lapsing of restrictions on RSUs.

The following table summarizes the 2006 compensation provided to all persons who served as non-employee directors during 2006.

2006 Non-Employee Director Compensation

Name	Fees Earned or Paid in Cash ⁽¹⁾	Stock Awards ⁽²⁾⁽³⁾	Option Awards ⁽²⁾⁽⁴⁾⁽¹¹⁾	Change in Pension Value and Nonqualified Deferred Compensation Earnings ⁽⁵⁾	All Other Compensation ⁽⁶⁾	Total
B. Alexander	\$ 94,500	\$ 34,339	\$30,364	\$ 0	\$ 0	\$159,203
G. Boisi	113,500	34,339	30,364	0	0	178,203
M. Engler	112,000	53,513	59,902	0	0	225,415
R. Glauber ⁽⁷⁾	57,500	10,902	3,765	0	0	72,167
R. Goeltz	150,500	60,719	62,396	4,550	0	278,165
T. Johnson	114,500	60,755	48,529	0	0	223,784
W. Lewis, Jr.	91,500	34,339	30,364	0	0	156,203
S. O'Malley	236,500	59,751	59,445	0	0	355,696
J. Peek ⁽⁸⁾	93,000	44,211	15,752	0	0	152,963
R. Poe ⁽⁹⁾	119,500	145,384	97,397	0	0	362,281
S. Ross	135,500	66,291	70,094	0	0	271,885
W. Turner ⁽¹⁰⁾	62,500	153,111	66,329	0	5,000	286,940

(1) For Mr. Boisi, includes \$56,750 paid in the form of common stock pursuant to his election to convert 50% of his retainer and meeting fees into common stock. For Ms. Engler, includes \$56,000 paid in the form of common stock pursuant to her election to convert 50% of her retainer and meeting fees into common stock. For Mr. Goeltz, includes \$150,500 paid in the form of deferred stock pursuant to his election to convert 100% of his retainer and meeting fees into deferred stock. For Mr. Johnson, includes \$114,500 paid in the form of common stock pursuant to his election to convert 100% of his retainer and meeting fees into common stock. For Mr. Lewis, includes \$91,500 paid in the form of deferred stock pursuant to his election to convert 100% of his retainer and meeting fees into deferred stock. For Mr. O'Malley, includes \$153,725 paid in the form of deferred stock pursuant to his election to convert 65% of his retainer and meeting fees into deferred stock. For Mr. Peek, includes \$93,000 paid in the form of deferred stock pursuant to his election to convert 100% of his retainer and meeting fees into deferred stock. For Mr. Ross, includes \$135,500 paid in the form of common stock pursuant to his election to convert 100% of his retainer and meeting fees into common stock.

(2) Represents the compensation cost for the year of all of the directors' stock awards (all of which were RSUs) and stock option awards, respectively, outstanding in 2006, as determined under Statement of Financial Accounting Standards No. 123(R) ("SFAS 123(R)"), rather than an amount paid to or realized by the directors. See NOTE 11 to the consolidated financial statements included in the accompanying Annual Report for a discussion of the assumptions made in determining the SFAS 123(R) values. The amounts reported disregard estimates of forfeitures for awards with service-based vesting conditions. There can

be no assurance that the SFAS 123(R) amounts will ever be realized. The grant date fair values of the RSU awards and stock option awards made to each non-employee director in 2006 were as follows:

	Grant Date Fair Value of RSU Awards	Grant Date Fair Value of Option Awards	Total
B. Alexander	\$ 89,995	\$31,068	\$121,063
G. Boisi	89,995	31,068	121,063
M. Engler	89,995	31,068	121,063
R. Glauber	89,995	31,068	121,063
R. Goeltz	89,995	31,068	121,063
T. Johnson	89,995	31,068	121,063
W. Lewis	89,995	31,068	121,063
S. O'Malley	89,995	31,068	121,063
J. Peek ⁽⁸⁾	179,948	63,411	243,359
R. Poe	89,995	31,068	121,063
S. Ross	89,995	31,068	121,063
W. Turner ⁽¹⁰⁾	—	—	—

- (3) At December 31, 2006, the aggregate number of common shares underlying the outstanding RSU awards held by each director was: Ms. Alexander — 2,606 shares; Mr. Boisi — 2,606 shares; Ms. Engler — 3,848 shares; Mr. Glauber — 1,426 shares; Mr. Goeltz — 3,221 shares; Mr. Johnson — 3,043 shares; Mr. Lewis — 2,606 shares; Mr. O'Malley — 5,328 shares; Mr. Peek — 2,437 shares; Mr. Poe — 4,182 shares; Mr. Ross — 3,389 shares; and Mr. Turner — 0 shares.
- (4) At December 31, 2006, the aggregate number of common shares underlying the outstanding stock option awards held by each director was: Ms. Alexander — 6,360 shares; Mr. Boisi — 6,360 shares; Ms. Engler — 12,669 shares; Mr. Glauber — 1,822 shares; Mr. Goeltz — 11,781 shares; Mr. Johnson — 9,171 shares; Mr. Lewis — 6,360 shares; Mr. O'Malley — 12,994 shares; Mr. Peek — 3,544 shares; Mr. Poe — 29,865 shares; Mr. Ross — 19,360 shares; and Mr. Turner — 15,461 shares.
- (5) We do not have any pension or retirement plans for our non-employee directors. For Mr. Goeltz, includes \$4,550 in above-market deferred compensation earnings received in 2006 relating to his 2005 election to receive deferred cash. 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 2006, interest was credited at a rate of 8.25% based on the prime rate on January 3, 2006 of 7.25% plus 1%. In 2007, interest is being credited at a rate of 9.25% based on the prime rate on January 2, 2007 of 8.25% plus 1%. Disclosure of nonqualified deferred compensation earnings for Mr. Goeltz consisted of the above-market portion of interest paid in 2006, which was 2.67%, equal to the 8.25% interest credited minus 120% of the applicable federal long-term rate, or 5.58%.
- (6) For Mr. Turner, includes a \$5,000 donation made by us to the charity of Mr. Turner's choice in recognition of his service on the Board.
- (7) Mr. Glauber joined the Board on September 8, 2006.
- (8) Mr. Peek received two equity grants in 2006: one upon his mid-term appointment to the Board in February and another upon his re-election in June.
- (9) Mr. Poe will retire from the Board effective as of the end of his current term.
- (10) Mr. Turner served as a director until September 8, 2006. All of Mr. Turner's 3,024 RSUs and 152 related dividend equivalents (a total of 3,176 shares) outstanding and unvested as of September 8, 2006, were accelerated and delivered to Mr. Turner in shares of common stock as of that date. Mr. Turner's option awards continue to vest and become exercisable according to the schedule that currently applies to those options. Because Mr. Turner was not nominated for reelection at the last stockholders' meeting, he did not receive the September 8, 2006 equity grant to our non-employee directors.

Proposal 1: Election of Directors

- (11) The value of dividend equivalents is recognized in the compensation expense of the stock option awards shown in the 2006 Non-Employee Director Compensation table. The following presents the actual amounts of cash dividend equivalents paid in 2006 to non-employee directors on the portions of their outstanding stock option awards that were not vested and exercisable before January 1, 2005: Ms. Alexander, \$16,927; Mr. Boisi, \$16,927; Ms. Engler, \$34,241; Mr. Glauber, \$0; Mr. Goeltz, \$30,569; Mr. Johnson, \$23,800; Mr. Lewis, \$16,927; Mr. O'Malley, \$34,842; Mr. Peek, \$0; Mr. Poe, \$42,291; Mr. Ross, \$42,291; and Mr. Turner, \$42,291. In addition, Mr. Poe received \$79,992 in cash dividend equivalents pursuant to his stock option exercise on April 26, 2006. This exercise was made on a stock option grant from 1996 that was not subject to Internal Revenue Code Section 409A. Dividend equivalents on RSUs granted to our non-employee directors are not paid out in cash but are accrued as additional RSUs and are generally settled at the same time as the underlying RSUs.

Transactions with Institutions Related to Directors

In the ordinary course of business, we were a party during 2006, and expect to continue to be a party during 2007, 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. We had no transactions that are required to be disclosed by SEC registrants under rules promulgated by the SEC.

Our current written policies and procedures for the review, approval or ratification of related person transactions and other conflict of interest matters are based on our Corporate Governance Guidelines, our Codes of Conduct for directors and other employees and our processes for gathering and disclosing information about such transactions. Among other things, the Codes of Conduct provide that when performing their Freddie Mac duties, our directors and employees act at all times in our best interests. Under the employee Code, employees and their immediate families are not permitted to engage in business with us unless they have consulted with our Chief Compliance Officer or the compliance division. If a director wishes to obtain a waiver of any Code provision (including those dealing with conflicts of interest), the waiver must be approved by the Board of Directors and disclosed to shareholders.

AUDIT COMMITTEE REPORT

The Audit Committee operates under a written charter most recently revised and approved by the Board in March 2007. 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 available on our website at www.freddiemac.com.

The Audit Committee currently comprises the following five directors: Messrs. Glauber, Goeltz, Johnson, O'Malley and Ross. The Board has determined that each of these directors meets the independence requirements of the NYSE Listed Company Manual and our Guidelines. During the year ended December 31, 2006, the Audit Committee met 11 times. During the period January 1, 2007 through April 2, 2007 the Audit Committee met four 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

Audit Committee Report

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 expressing an opinion, based on the results of their audit, whether the consolidated 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, 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.

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. At the direction of the Audit Committee, PricewaterhouseCoopers did not provide any non-audit services to Freddie Mac in 2006.

The Audit Committee has reviewed and discussed with management our audited consolidated financial statements as of and for the fiscal year ended December 31, 2006.

Audit Committee Report

The Audit Committee has also met with members of senior management and compliance, enterprise risk oversight, 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, 2006.

In addition, the Audit Committee has approved the appointment of PricewaterhouseCoopers as our independent auditors for the fiscal year ending December 31, 2007, 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, 2007.

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

Richard Karl Goeltz, *Chairman*
Robert R. Glauber
Thomas S. Johnson
Shaun F. O'Malley
Stephen A. Ross

EXECUTIVE OFFICERS

As of April 2, 2007, our executive officers are as follows:

<u>Name</u>	<u>Age</u>	<u>Year of Affiliation</u>	<u>Position</u>
Richard F. Syron	63	2003	Chairman and Chief Executive Officer
Eugene M. McQuade	58	2004	President and Chief Operating Officer
Robert E. Bostrom	54	2006	Executive Vice President, General Counsel and Corporate Secretary
Ralph F. Boyd, Jr.	50	2004	Executive Vice President, Community Relations
Patricia L. Cook	54	2004	Executive Vice President, Investments and Capital Markets
Paul G. George	55	2005	Executive Vice President, Human Resources and Corporate Services
Anthony S. Pizsel	52	2006	Executive Vice President and Chief Financial Officer
Joseph A. Smialowski	58	2004	Executive Vice President, Operations and Technology
Kirk Die	49	2006	Senior Vice President and General Auditor
James R. Egan	54	2006	Senior Vice President — Corporate Controller and Principal Accounting Officer
Michael C. May	48	1983	Senior Vice President, Multifamily Sourcing
Hollis S. McLoughlin	56	2004	Senior Vice President, External Relations
Paul E. Mullings	56	2005	Senior Vice President, Single Family Sourcing
Anurag Saksena	46	2005	Senior Vice President and Chief Enterprise Risk Officer
Robert Y. Tsien	54	2000	Senior Vice President, Mission Oversight and Development
Jerry Weiss	49	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 and Corporate Services in December 2006. He joined us in August 2005 as Executive Vice President, Human Resources. Prior to joining us, Mr. George was Senior Executive Vice President of Human Resources and Corporate Services 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 and Corporate Services at United Airlines. Between 1985 and 1988 he was Vice President of Human Resources and Corporate Services at Pacific Southwest Airlines. Prior to that he was a partner at Meserve, Mumper & Hughes, the second oldest law firm in Los Angeles.

Anthony S. Pizsel was appointed Executive Vice President and Chief Financial Officer in November 2006. Prior to joining us, Mr. Pizsel was Chief Financial Officer at HealthNet, one of the nation's largest publicly traded managed health care companies, from August 2004 to November 2006. Prior to that, he held a number of financial positions at Prudential Financial from 1998 to 2004, most recently as Senior Vice President and Corporate Controller. Prior to joining Prudential, Mr. Pizsel was an audit partner at Deloitte and Touche.

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 LLP (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 Corp., 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 LLP (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,

Executive Officers

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 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

The CHRC has reviewed and discussed the Compensation Discussion and Analysis with management and, based on such review and discussion, has recommended that the Compensation Discussion and Analysis be included in this Proxy Statement.

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

COMPENSATION DISCUSSION AND ANALYSIS

This discussion addresses our compensation objectives and policies applicable to the executive officers named in the Summary Compensation Table appearing under “Executive Compensation — Compensation Tables” below, otherwise referred to as our “named executive officers.” To the extent that we may modify these objectives and policies in the future to reflect changing circumstances, the information contained in this discussion may change accordingly. The following discussion and analysis contains statements regarding future individual and company performance targets and goals. These targets and goals are disclosed in the limited context of Freddie Mac’s compensation programs and should not be construed as statements of management’s expectations or estimates of results or other guidance. Freddie Mac cautions investors not to apply these statements to other contexts.

Compensation Philosophy and Objectives

The overall objectives of our compensation program for our named executive officers are to attract and retain high caliber executives, to motivate the executives to work effectively to achieve annual and long-term corporate and individual objectives that are aligned with the interests of our stockholders and other critical constituencies and, based on our pay-for-performance philosophy, to reward the executives when those objectives are met or exceeded.

In addition to individual performance and a review of compensation against the market, in determining named executive officer compensation we consider the following:

- Potential — The named executive officer’s ability to assume greater responsibility and leadership roles
- Ease of Replacement/Retention Risk — The availability of qualified candidates inside the company and the strength of the external labor pool and the risk that competitors may target the named executive officer
- Strategic Impact — The named executive officer’s short-, medium-, and long-term contributions and strategic impact on our performance

Compensation Discussion and Analysis

Achieving our overall compensation objectives requires the CHRC and management to exercise significant judgment. As a basis for this judgment, we generally establish a target total direct compensation level for each named executive officer. For these purposes, “total direct compensation” consists of base salary, annual bonus, and long-term equity awards. In setting the target total direct compensation for each named executive officer, the CHRC considers a number of factors, including the median level of comparable compensation for comparable positions at the companies in our Comparator Group (defined below) or alternative sources, as appropriate. The competitive market analysis process we use to obtain market data is described below under “Evaluating and Targeting Executive Compensation.”

While the majority of our officers are not covered by employment agreements, certain of the employment agreements applicable to the named executive officers provide contractually guaranteed minimum amounts in certain situations. We consider these guaranteed minimum amounts necessary to achieve our goal of recruiting and retaining exceptional leaders. Since 2003, when we announced the need to restate our financial results for 2000 through 2002, we have been engaged in a continuous process of restructuring through changes affecting, among other things, governance, corporate culture, internal controls, accounting practices and disclosure. All of our named executive officers have been hired since the commencement of that process. As is typical in such periods of transition, uncertainties amongst executive officers are greater than they otherwise would be. We believe the protections provided by these employment agreements (such as guaranteed incentives and special termination benefits) are necessary to our ability to recruit and retain the talent we need for the restructuring process.

Evaluating and Targeting Executive Compensation

A number of factors are taken into consideration during the annual process to evaluate and set target compensation for the named executive officers, including: the individual’s current compensation versus the competitive market; the individual’s historical compensation progression from the perspective of both target compensation for a specific year and actual compensation received; the individual’s historical performance and potential; the individual’s contributions and strategic impact on our performance; the availability of qualified candidates in both the external and internal labor pools; and the risk that competitors may target the named executive officer.

To evaluate the named executive officer’s current compensation versus the competitive market, we review the compensation of executives in comparable positions at companies that are either in a similar line of business or are otherwise comparable for purposes of recruiting and retaining individuals with the requisite skills and capabilities. We refer to this group of companies as the Comparator Group.

We review and discuss the composition of the Comparator Group on an annual basis with the CHRC and Hewitt, the CHRC’s compensation consultant. In determining which companies to include in the Comparator Group, we examine several criteria, including the relevant labor market for talent and those companies with which we compete for investment capital. To reflect the investment capital criterion, we examine those companies competing in the mortgage-backed securities sector. To reflect the relevant labor market, we examine industry segments and companies from which we have recruited and to which we have lost officer talent. For a more detailed discussion of the CHRC’s role in the annual process of evaluating, recommending and approving

compensation for the named executive officers and the role of Hewitt, see “Corporate Governance — Interaction with Compensation Consultants.”

A significant secondary factor that we take into account in determining the composition of the Comparator Group is organization scope. This factor focuses on companies in the relevant industry sectors that are comparable in asset/revenue size, operational scope, market capitalization, and profitability. Also relevant is the selection of companies from which we have the ability to obtain high quality, reliable, and consistent compensation data.

After considering these criteria, the CHRC selected the following companies in November 2005 as the Comparator Group for purposes of competitive compensation market analysis in 2006:

American Express	J.P. Morgan Chase
American International Group	Lehman Brothers
Bank of America	MBNA Corp.
Capital One Financial Corporation	MetLife
Citigroup	SLM (formerly known as Sallie Mae)
Countrywide	State Street
Fannie Mae	Suntrust Banks
Fifth Third Bancorp	U.S. Bancorp
Ford Motor Credit	Wachovia
Hartford Financial Services Group	Wells Fargo

We are not able to use the Comparator Group to benchmark compensation for all named executive officers. For example, we do not use the Comparator Group when comparable executive positions do not exist in the Comparator Group or when available data are incomplete. In those instances, we use data from alternative widely used survey sources for financial services companies. In those cases in which the alternative survey sources do not identify executive positions comparable to our positions, we set compensation targets based on our best estimate 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 exist. For Ms. Cook’s position, Executive Vice President, Investments and Capital Markets, a reasonable match and/or sufficient data are not available in the Comparator Group.

The CHRC applied the compensation philosophy and criteria described above at its May 31 – June 1, 2006 meeting to set 2006 target total direct compensation for the named executive officers other than Mr. Pisel, who had not yet joined the company. This target-setting process usually occurs at the CHRC’s meeting during the first quarter of the year. However, the target-setting process for 2006 was delayed until after we released our 2005 financial results. The following table shows the named executive officers’ target total direct compensation for 2006.

	Base Salary	Target Bonus Expressed as Percentage of Annualized Base Salary	2006 Target Bonus ⁽¹⁾	Target Long-Term Equity Award for 2006 Performance ⁽²⁾	2006 Target Total Direct Compensation
Mr. Syron	\$1,100,000	240%	\$2,640,000	\$8,800,000	\$12,540,000
Mr. McQuade	\$ 900,000	180%	\$1,620,000	\$6,000,000	\$ 8,520,000
Mr. Pizsel ⁽³⁾	\$ 650,000	n.a.	\$1,007,500	\$3,000,000	\$ 4,657,500
Ms. Cook	\$ 600,000	333%	\$2,000,000	\$2,400,000	\$ 5,000,000
Mr. Smialowski	\$ 550,000	155%	\$ 850,000	\$1,800,000	\$ 3,200,000
Mr. Baumann ⁽⁴⁾	n.a.	n.a.	n.a.	n.a.	n.a.

(1) Actual 2006 bonus payouts, paid in March 2007, for each named executive officer are shown in the Summary Compensation Table under “Bonus” and are discussed further under “2006 Annual Bonus Compensation” below.

(2) Actual long-term equity incentives awarded in respect of performance during 2006, granted in March 2007, will be reported in our 2008 proxy statement and are shown below under “2006 Long-Term Equity Awards.”

(3) Mr. Pizsel joined Freddie Mac on November 13, 2006 and his base salary reflects an annualized amount, as provided in his employment agreement. Mr. Pizsel’s target bonus is a fixed dollar amount and would not change in the event his base salary is changed.

(4) Mr. Baumann resigned his position as Executive Vice President, Finance and Chief Financial Officer effective March 21, 2006.

At the May 31 – June 1, 2006 meeting, at which the 2006 total direct compensation targets were approved, the CHRC requested that management eliminate the economic discount used in converting the approved dollar value of long-term equity awards into a specific number of RSUs. To offset the elimination of the economic discount, the CHRC adjusted upward the long-term incentive targets. This change did not result in additional cost to the company and did not provide employees with greater value. See “RSUs — Valuation of RSUs” below for more information concerning the elimination of the economic discount.

After considering a number of factors, including those set forth under “Compensation Philosophy and Objectives,” the CHRC set 2006 target total compensation for four of the named executive officers who are currently employed by Freddie Mac generally below, and for one modestly above, the median level of total direct compensation for comparable executives throughout the Comparator Group, or, in the case of Ms. Cook, the alternate survey source.

Consistent with our compensation objective of rewarding good performance, for any individual executive officer, the CHRC also considers the executive’s performance and those factors discussed under “Compensation Structure” below when setting target total direct compensation. In setting 2006 target total direct target compensation for our named executive officers, in addition to reviewing competitive compensation data, the CHRC reviewed, discussed, and considered an assessment of the named executive officer’s performance during the prior year, Freddie Mac’s benefit obligations to the named executive officer (both current and estimated values upon retirement), the named executive officer’s beneficial ownership levels of Freddie Mac common stock, and the value of the named executive officer’s outstanding long-term equity awards. In the process of setting 2006 target total direct compensation 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.

In December 2006, prior to the determination of bonus payouts and equity awards for 2006, the CHRC again reviewed the major components of each named executive officer’s compensation, including base salary, annual bonus opportunity and long-term incentive targets, retirement

programs, health and welfare benefits, and perquisites. The information presented to the CHRC in December 2006 included, but was not limited to, the following:

- A “tally sheet” of total 2005 and 2006 compensation and benefits paid to, or accrued for, each of the named executive officers
- The grant date value of all stock options and RSUs awarded in 2005 and 2006
- The estimated year-over-year (2005 and 2006) actuarial increase in qualified and non-qualified pension benefits
- The value of all outstanding equity awards, which includes all unvested RSUs, unvested stock options and unexercised vested stock options
- Freddie Mac’s annual cost of providing life insurance, disability insurance, and medical insurance to each named executive officer
- The annual interest accrual for participants in the Executive Deferred Compensation Plan
- The estimated value and summary of various perquisites received
- The estimated potential value of compensation due if a named executive officer had been terminated by Freddie Mac on December 31, 2006 for reasons other than “for cause”

Management’s presentation of the value of outstanding equity awards was intended to provide the CHRC with a perspective on the “at risk” pay that a named executive officer would forfeit if he or she were to voluntarily terminate his or her employment with Freddie Mac. This value also provides the CHRC with a perspective of a competitor’s potential cost if it were successful in an attempt to recruit one of our named executive officers and compensate such officer for forfeited equity. We consider each of these perspectives important when evaluating the retention risk for a named executive officer, setting target compensation, and recommending actual awards.

Executive pay and benefits are not increased because the value of previously granted stock awards has declined and are not decreased because the value of such awards has increased.

Compensation Structure

Our pay-for-performance philosophy is implemented by offering the named executive officers competitive base salaries, annual bonus opportunities, and long-term equity incentive opportunities. The named executive officers may also receive certain perquisites and other benefits and are required to maintain an ownership stake in Freddie Mac.

Base Salary

As discussed under “Evaluating and Targeting Executive Compensation” above, the base salaries of our named executive officers, including the Chairman and Chief Executive Officer and the President and Chief Operating Officer, are broadly based on salaries for comparable positions in the market. Base salaries take into consideration base salaries of comparable positions in the Comparator Group or the alternate survey source, as applicable, and also reflect the named executive officer’s job performance, future potential, scope of responsibilities and experience. For each of the named executive officers, base salaries are consistent with the terms of his or her respective employment or letter agreement and are reviewed annually.

The base salaries of Messrs. Syron, McQuade and Pizel and Ms. Cook are the amounts that were negotiated as part of their original employment arrangements. Mr. Smialowski's base salary was increased by the CHRC on June 1, 2006 (effective March 1, 2006), after a review of his individual performance and positioning of his target total direct compensation against competitive market data.

Annual Bonuses

Our annual cash bonus program seeks to motivate our named executive officers, including the Chief Executive Officer and the President and Chief Operating Officer, to work effectively to achieve both our annual corporate performance objectives and their individual performance objectives and to reward them based on achievement against such objectives.

The determination of the actual bonus payable to our named executive officers occurs at the end of an annual cycle that consists of several stages. For 2006, the first stage occurred at the March 2006 CHRC meeting where, based upon recommendations from management, the CHRC both approved the 2006 Bonus Funding Scorecard and concurred with an aggregate amount of funding to be made available for 2006 bonuses if all objectives on the 2006 Bonus Funding Scorecard were achieved. The 2006 Bonus Funding Scorecard contained a balanced set of performance measures that integrate Freddie Mac's perennial and annual objectives.

The 2006 Bonus Funding Scorecard included the following performance areas and related objectives:

- **Mission.** This objective consisted of specific U.S. Department of Housing and Urban Development goals and subgoals for the percentage of mortgages purchased by Freddie Mac that fall into the categories of low/moderate income, underserved areas, and special affordable housing. See "Regulation and Supervision — Department of Housing and Urban Development — Housing Goals" in our Annual Report for a more detailed discussion of these goals and subgoals. All of the Mission goals for 2006 were extremely challenging to achieve.
- **Shareholder Value.** This objective consisted of accomplishing a number of specific financial goals. In developing the performance thresholds and/or targets, management made aggressive assumptions regarding portfolio growth and profitability, knowing that these would be very challenging to achieve due to significant external pressures and internal infrastructure challenges. These measures were established prior to our voluntary adoption of limits on the growth of our retained portfolio. This section of the 2006 Bonus Funding Scorecard was referred to as the "Stretch Financial Plan" and contained specific performance thresholds and/or ranges, including:
 - Growth of adjusted fair value. Adjusted fair value is an internal measure used to assess performance with respect to those drivers of fair value results that we actively seek to manage. See our Annual Report under "Management's Discussion and Analysis of Financial Condition and Results of Operations — Consolidated Fair Value Balance Sheets Analysis" for more information.
 - Change in fair value. During the year ended December 31, 2006, the fair value of net assets attributable to common stockholders increased by \$2.6 billion. Our Annual Report discusses the changes in fair value and management's expectations concerning

Compensation Discussion and Analysis

long-term fair value growth under “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Consolidated Fair Value Balance Sheets Analysis.”

- Return on equity for new business in both the guarantee and retained portfolios.
- Achieving a specific market share in the government-sponsored enterprise market.
- Achieving a specific market share in the conventional conforming mortgage market.
- Accomplishing a specific growth goal for our guarantee portfolio.
- Accomplishing a specific growth goal for our retained portfolio.
- Deploying Freddie Mac’s economic capital in an amount greater than or equal to the regulatory minimum capital on new business. Economic capital represents the estimate of capital required to withstand severe business, economic and operational conditions based on management’s assessment of risk.
- **Financial Reporting.** This objective consisted of filing an unqualified minimum capital report with OFHEO and returning to timely financial reporting.
- **Employee Engagement.** This objective focused on our ability to recruit and retain strong performers and improving our retention of critical talent.
- **Risk Management and Controls.** This objective consisted of improvements in our operational controls and risk management processes.
- **Touch More Loans.** This objective included enhancing our retention and disposition capabilities for non-standard mortgage products.

Management designed the 2006 Bonus Funding Scorecard objectives with the understanding that achieving the performance goals would require not only significant financial performance by the company, but also the achievement of a number of other goals that would be quite difficult to accomplish. Some of these goals were stretch objectives that would require substantial creativity and innovation in order to be successful. Management acknowledged that there was a significant possibility that several of the objectives would not be achieved, in some cases for reasons beyond the control of the company. Nonetheless, management wanted to establish very aggressive goals. See “— 2006 Annual Bonus Compensation” below for more information regarding our assessment of performance under the 2006 Bonus Funding Scorecard.

Some of the performance criteria in the 2006 Bonus Funding Scorecard cannot be precisely quantified. Furthermore, to some extent the achievement of one particular corporate goal can affect the company’s ability to achieve one or more other goal(s), depending on financial market conditions. For example, maximizing some of the shareholder value metrics can, at least in some cases, be inconsistent with achieving some of the Mission goals (such as increasing the percentages of mortgages purchased in certain HUD-defined categories) that we are mandated to achieve as part of our federal charter or by our regulators.

Management recommended to the CHRC at its March 2006 meeting that an aggregate amount of funding for the 2006 bonus pool be established, which was based on a total dollar amount available for funding bonuses to all employees eligible for bonuses, including the named executive officers. The CHRC concurred with this funding level and with guidelines for adjusting the funding

level based on changes in employee demographics, such as additional employees becoming eligible for annual bonuses.

The next stage in setting 2006 bonuses for the named executive officers consisted of setting specific target bonuses, expressed as a percentage of base salary. The process of setting bonus targets for 2006 occurred at the CHRC meeting on May 31 and June 1, 2006. At this same meeting, annual bonus payouts and long-term equity awards for performance during 2005 were determined, base salaries for 2006 were established, and long-term incentive targets for performance during 2006 were set. Accordingly, the setting of annual bonus targets for 2006 was part of an integrated discussion by the CHRC, which took into account an evaluation of 2005 performance and the other key elements of compensation that applied to 2006.

The CHRC determined to increase the annual bonus target percentages for Messrs. Syron, McQuade, and Smialowski and Ms. Cook from the respective 2005 annual bonus target levels based on an evaluation of their performance for 2005 and the positioning of their target total direct compensation versus competitive market levels. The increases in Messrs. Syron's and McQuade's 2006 bonus targets were conditioned on their executing waivers to their employment agreements so that their potential payments upon termination of employment (which, in some cases, take into account target bonuses) would be calculated based on the bonus target in their respective employment agreements, not the increased 2006 bonus targets. In setting 2006 bonus targets, the CHRC took into account the competitive market data which indicated that, even after the increases in bonus targets, the target total direct compensation for these officers would be at or below the median of total direct compensation for executives in comparable positions at companies in the Comparator Group.

2006 Annual Bonus Compensation

With respect to objectives on the 2006 Bonus Funding Scorecard, at the February 1, 2007 CHRC meeting, management reported that the company exceeded its objective to improve the retention of critical talent. Regarding our Mission goals, management reported that the company exceeded all three of the 2006 annual housing goals and the multifamily subgoal, and two of the three home purchase subgoals established by HUD. Of the single-family, owner-occupied home purchase mortgages we financed in 2006, 16.93% were affordable to low-income families in low-income areas or to very low-income families, which narrowly missed the 2006 special affordable housing subgoal target of 17%. Management attributed this shortfall to difficult market conditions, including a rise in interest rates in the wake of a prolonged period of rapid house price appreciation. We substantially achieved the Touch More Loans objective to enhance the retention and disposition capabilities for non-standard mortgage products. With respect to Risk Management and Control, we completed the majority of our performance objectives and made substantial progress on the rest. With respect to Financial Reporting, we did not achieve the objective of returning to timely financial filing, but made substantial progress towards achieving this goal. With respect to the Stretch Financial Plan, we were not able to achieve all of the objectives. However, our ability to achieve these objectives became increasingly difficult throughout the year because of strategic decisions that were taken in an effort to achieve the Mission goals and maintain appropriate market share.

After reviewing and discussing the information presented by management, the CHRC concurred that the assessment of company performance should be "below plan." However, the

Compensation Discussion and Analysis

CHRC determined that the company was substantially better positioned at year-end 2006 than it was at December 2005 and substantial progress was achieved during the year relative to Scorecard objectives where the company failed to achieve all of the designated performance measures. In reaching this conclusion, the CHRC also considered the following:

- The entirety of corporate performance, including both accomplishments captured on the 2006 Bonus Funding Scorecard and other achievements not addressed on the Scorecard;
- Market conditions during 2006; and
- The degree of difficulty in achieving all of the elements for the six objectives in the 2006 Bonus Funding Scorecard.

Additionally, the CHRC considered Freddie Mac's results versus the objectives in light of the unique business conditions under which the company operates. Freddie Mac's objectives require the company to manage the delicate balance of optimizing the annual shareholder value performance measures, making business decisions that allow us to meet our Mission goals and are in the best long-term interest of the company, and executing against annual objectives that take into account the guidance from our regulatory oversight agency. After discussing management's recommendation, the CHRC approved a bonus funding level that incorporated a moderate reduction of the projected bonus pool had the company achieved all its objectives.

Individual 2006 annual cash bonus payments were based on an assessment of each executive officer's business results and leadership effectiveness, as described below.

Messrs. Syron and McQuade. The cash bonuses awarded to the Chairman and Chief Executive Officer and the President and Chief Operating Officer for 2006 reflect the CHRC's determination with respect to Messrs. Syron's and McQuade's individual leadership and performance displayed throughout the year, as well as our performance relative to the objectives on the 2006 Bonus Funding Scorecard. The CHRC concluded that the leadership of both executives was a key factor in the Company's significant accomplishments under challenging circumstances. It also noted that, in the aggregate, the metrics on the Bonus Funding Scorecard, a summary of which is set forth above, were rated "below plan" for the year. As a result, the CHRC decided to award (i) to Mr. Syron a bonus of \$2,400,000, an amount lower than his bonus target, and (ii) to Mr. McQuade a bonus of \$1,500,000, an amount lower than his bonus target.

Mr. Pizel. For Mr. Pizel, the cash bonus paid is consistent with the terms of his employment agreement.

Ms. Cook. For Ms. Cook, the cash bonus paid reflects the CHRC's determination with respect to her individual leadership and performance displayed throughout the year, as well as our performance relative to the objectives on the 2006 Bonus Funding Scorecard. While some of the financial objectives of the Investment and Capital Markets Division were not achieved, the CHRC recognized that Ms. Cook's strategic decisions and the initiatives taken by the Division in response to market conditions allowed Freddie Mac to optimize the opportunities presented by the market. Ms. Cook was also recognized for the resources and support she offered to advance our progress with respect to the Financial Reporting objective and the additional responsibilities she undertook, including all sourcing for both single family and multifamily loans. As a result, the CHRC decided to award Ms. Cook a bonus of \$2,300,000, an amount greater than her bonus target.

Mr. Smialowski. For Mr. Smialowski, the cash bonus paid reflects the CHRC's determination with respect to his individual leadership and performance displayed throughout the year, as well as our performance relative to the objectives on the 2006 Bonus Funding Scorecard. The CHRC also took into consideration the Operations and Technology Division's performance relative to its objectives. The CHRC recognized that Mr. Smialowski's leadership and knowledge led to improvements in the quality of business decisions and strategic solutions. As a result, the CHRC decided to award Mr. Smialowski a bonus of \$975,000, an amount greater than his bonus target.

2006 Long-Term Equity Awards

A significant portion of our named executive officers' compensation is in the form of long-term equity awards, to ensure that the executive officers' financial interests are well aligned with the long-term interests of our stockholders. Following our annual review of "best practices" in executive compensation in 2005, we implemented stock ownership guidelines, which are discussed in more detail under "Stock Ownership Guidelines" below. In addition, long-term equity compensation is a key component of our compensation structure that enables us to motivate leaders and key employees and encourage them to provide long-term service.

Awards consist of RSUs, stock options, or both, and full entitlement to such awards generally requires service over a vesting period of four years. For performance in 2006, the only awards we granted to named executive officers were RSUs. As discussed below under "RSUs," a portion of these RSUs are subject to a performance-based vesting condition. The value of the equity awards increases or decreases with changes in the value of Freddie Mac stock. The equity awards thus focus executives on improving the long-term value of Freddie Mac through continued service subsequent to the date of the award. On an annual basis, management provides the CHRC with an overview of its proposed strategy, delivery methods, and utilization with respect to long-term equity awards.

The value of the long-term equity awards made to each of the named executive officers in March 2007 in respect of 2006 performance was based on a number of factors, including:

- The executive's performance and contribution
- The executive's potential for making future contributions
- The engagement and retention of the executive
- Criticality of the executive's skills
- The executive's total direct compensation compared to competitive market levels, and
- The performance of the company against the 2006 Bonus Funding Scorecard.

The following table summarizes information with respect to the long-term equity award opportunities afforded the named executive officers for performance during 2006:

	For Performance During 2006 ⁽¹⁾	
	Target	Actual Award
Mr. Syron	\$8,800,000	\$8,600,000
Mr. McQuade	\$6,000,000	\$5,725,000
Mr. Pisel	\$3,000,000	\$3,000,000
Ms. Cook	\$2,400,000	\$2,763,000
Mr. Smialowski	\$1,800,000	\$2,233,000
Mr. Baumann ⁽²⁾	n.a.	n.a.

(1) The long-term equity awards in respect of performance during 2006 were granted in March 2007 and will also be reported in our 2008 proxy statement.

(2) Mr. Baumann's termination arrangements, which were approved in March 2006, did not include a long-term equity award in 2006.

Mr. Syron. The terms of Mr. Syron's employment agreement provide that he will be granted a long-term equity award each year during his employment with a value of \$8,800,000. After evaluating the company's performance in 2006 relative to the objectives on the 2006 Bonus Funding Scorecard, the CHRC determined that Mr. Syron's 2006 long-term equity award value should be \$8,600,000, which is less than the guaranteed minimum value in Mr. Syron's employment agreement. In order to implement this action, Mr. Syron agreed to waive his right to receive the guaranteed amount. See "Executive Compensation — Employment and Separation Agreements — *Richard F. Syron*."

Mr. McQuade. The terms of Mr. McQuade's employment agreement provide that he will be granted a long-term equity award each year during his employment with a value of \$6,000,000. After evaluating the company's performance in 2006 relative to the objectives on the 2006 Bonus Funding Scorecard, the CHRC determined that Mr. McQuade's 2006 long-term equity award value should be \$5,725,000, which is less than the guaranteed minimum value in Mr. McQuade's employment agreement. In order to implement this action, Mr. McQuade agreed to waive his right to receive the guaranteed amount. See "Executive Compensation — Employment and Separation Agreements — *Eugene M. McQuade*."

Mr. Pisel. Mr. Pisel's employment agreement guarantees that the long-term equity award granted to him in 2007 will be no less than \$3,000,000. This guarantee is designed to take into account the long-term incentive opportunity that Mr. Pisel forfeited at his prior employer in order to join Freddie Mac. See "Executive Compensation — Employment and Separation Agreements — *Anthony S. Pisel*."

Ms. Cook. Ms. Cook's target long-term equity award for 2006 was set after the CHRC considered the factors discussed under "Evaluating and Targeting Executive Compensation" above. Her actual award for 2006 took into consideration her individual leadership and performance displayed throughout the year. While her actual award for 2006 is greater than the target, approximately \$191,000 of the actual award amount is attributable to the elimination of the economic discount and the CHRC's intention to keep this economically neutral for Ms. Cook. See "Executive Compensation — Employment and Separation Agreements — *Patricia L. Cook*."

Mr. Smialowski. Mr. Smialowski's target long-term equity award for 2006 was set after the CHRC considered the factors discussed under "Evaluating and Targeting Executive

Compensation” above. His actual award for 2006 took into consideration his individual leadership and performance displayed throughout the year. While his actual award for 2006 is greater than the target, approximately \$144,000 of the actual award amount is attributable to the elimination of the economic discount and the CHRC’s intention to keep this economically neutral for Mr. Smialowski. See “Executive Compensation — Employment and Separation Agreements — *Joseph A. Smialowski*.”

RSUs

General. An RSU represents a conditional contractual right to receive one share of our common stock at a specified future date subject to certain restrictions (*i.e.*, the vesting period). The underlying stock is not issued until the time restrictions lapse, at which time the RSU is settled or, if previously elected by the grantee, deferred. See “Other Executive Benefits, including Perquisites and Retirement Benefits — Executive Deferred Compensation and Supplemental Executive Retirement Plan” below for more information regarding the deferral of RSUs. In the event a cash dividend is declared and paid on our common stock, holders of RSUs will receive dividend equivalents, paid out in cash promptly after the payment date for such dividend, equal to the number of RSUs held by the executive officer multiplied by the dividend paid on each outstanding share of our common stock. RSUs do not have voting rights because they are not considered legally issued or outstanding shares.

RSUs granted as part of annual long-term equity awards generally vest in four installments at the rate of 25% on each anniversary of the grant date. Of the awards of RSUs made to our named executive officers in March 2007, 25% are subject to an additional performance vesting criterion. The satisfaction of this requirement will be determined in the sole discretion of the CHRC. In order for these RSUs to be considered earned, the CHRC must determine that management has improved our competitive position when considering our shareholders, Mission objectives, and safety and soundness. If earned, these RSUs will be subject to the same time-based vesting as the other RSUs held by our named executive officers and will vest with respect to 25% of the award in March 2008, 2009, 2010 and 2011.

Valuation of RSUs. In awarding RSUs to executive officers for the annual award in 2005 and previous years, the CHRC first set the dollar value of the RSUs to be awarded. The number of RSUs awarded to each executive officer was then calculated by dividing the dollar amount of the award by the discounted value of a share of our common stock on the date of grant. The discount reflected the risk of forfeiture during the restricted period and was applied to the fair market value of our common stock on the date of grant. The CHRC’s independent compensation consultant advised that the use of an economic discount was not an uncommon practice to convert the dollar amount of a long-term incentive award into a specific number of RSUs. The economic discount conversion methodology was only applicable to the annual long-term equity awards.

In 2006, the CHRC decided to eliminate the use of the economic discount and requested that management develop an economically neutral transition plan in order to minimize the impact of the elimination of the discount on award recipients. The transition methodology designed by management resulted in the value of the RSU portion of the long-term equity award being adjusted upwards by approximately 11% for all named executive officers other than Messrs. Syron and McQuade. This transition methodology resulted in an economically neutral outcome from the company’s perspective. It did not result in additional cost to the company and did not provide the

employee with greater value, because the upward adjustment of the long-term equity award targets was offset by the elimination of the economic discount.

On a going-forward basis, this transition methodology will not be applicable to Messrs. Syron and McQuade, who requested not to have their target long-term equity awards adjusted upward. Additionally, this adjustment will not be applicable to individuals with an employment agreement which sets forth a defined dollar value for the annual long-term equity award.

Stock Options

General. Each stock option entitles its holder to purchase one share of our stock at its fair market value on the date that the option was granted. Stock options granted as part of long-term incentive awards generally vest in four installments at the rate of 25% on each anniversary of the grant date. For example, the stock options granted to executive officers in June 2006 will vest with respect to 25% of the award in June 2007, 2008, 2009, and 2010.

Valuation of Stock Options. To determine the number of stock options for the annual award, the CHRC first sets the dollar amount of stock options to be awarded. On the grant date, that dollar amount is converted into a number of shares of common stock subject to the stock option using the Black-Scholes model for the valuation of stock options. The exercise price of stock options is equal to the fair market value of a share of our common stock on the grant date. At the time of the June 2006 grant of stock options, fair market value was defined by the 2004 Stock Compensation Plan, or the 2004 Employee Plan, as the average of the high and low prices of a share of our common stock on the grant date as reported in *The Wall Street Journal's* composite transactions table for New York Stock Exchange listed securities. The CHRC approved an amendment on December 7, 2006 to the 2004 Employee Plan to change the definition of fair market value which is used for purposes of determining the exercise price of stock options, from the average of the high and low prices to the closing price of our stock on the date of grant. Future option grants will be issued using the revised definition of fair market value.

Proportion of Long-Term Incentives Awarded in RSUs and Stock Options

The CHRC increased the proportion of the value of long-term incentives awarded in RSUs, as compared to stock options, beginning with awards for performance in 2006. Pursuant to CHRC action in March 2007, named executive officers currently receive 100% of the value of their long-term incentives in the form of RSUs and no stock options. For awards made in 2007 for performance during 2006, 75% of the RSUs received by our named executive officers are subject to time-based vesting only, and the remaining 25% are subject to additional performance-based vesting criteria. If the performance-based vesting criteria are satisfied, these RSUs become subject to the same time-based vesting of the remaining 75% of the RSUs granted to our named executive officers. The CHRC's decision to modify the mix between RSUs and options as part of its annual review of executive compensation and the overall mix of pay for our named executive officers took into account several factors, including the increased retention value of RSUs versus stock options, the accounting charges now associated with stock options and competitive market practices at both the companies in the Comparator Group and the financial services industry, which indicated an increased trend toward the greater use of restricted stock/restricted stock units. A primary consideration in the increased utilization of RSUs was the CHRC's conclusion that during our

ongoing restructuring period, an increased emphasis on RSUs better achieved a number of internal objectives including:

- Motivating leaders and key employees and encouraging them to provide long-term service without undue focus on short-term changes in stock price; and
- Increasing the immediate “at risk” equity value to assist in maximizing retention to maintain stability in leadership and key contributor roles.

Other Executive Benefits, including Perquisites and Retirement Benefits

Generally Available Benefits

Health and Welfare Plans

The named executive officers are eligible to participate in employee benefit programs and plans that are generally available to all full-time and part-time employees (subject to fulfilling certain eligibility requirements). These include benefits such as our active employee health and welfare plans (including medical, dental, vision, group life insurance, accidental death and personal loss insurance and employee assistance benefits), as well as other programs such as our employee stock purchase plan. In designing these benefits we seek to provide an overall level and mix of benefits that is competitive with those offered by companies in our Comparator Group.

Tax-Qualified Defined Benefit and Defined Contribution Retirement Plans

The named executive officers are eligible to participate in our broad-based tax-qualified retirement and savings plans (the Pension Plan and the Thrift/401(k) Savings Plan), on the same terms as other employees. For additional information on these two plans, including the present value of accumulated benefits under the Pension Plan for each of the named executive officers, see the “Summary Compensation” and “Pension Benefits” tables and narrative disclosures in the “Executive Compensation” section below.

Executive Deferred Compensation and Supplemental Executive Retirement Plan

The named executive officers are eligible to participate in the Freddie Mac 2002 Executive Deferred Compensation Plan, or the Executive Deferred Compensation Plan, which allows them to elect to defer all or a portion of their annual salary and cash bonus and the settlement of their RSUs received under our stock plan. None of our named executive officers participated in the Executive Deferred Compensation Plan in 2006.

The named executive officers are also eligible to participate in the Freddie Mac Supplemental Executive Retirement Plan (SERP). This plan has two components, which correspond to each of the Pension Plan and the Thrift/401(k) Savings Plan. The SERP Restoration Benefit provides participants with the full amount of benefits to which they would have been entitled under the Pension Plan if the plan (1) was not subject to certain limits on compensation and benefits that can be taken into account under the Internal Revenue Code and (2) did not exclude from compensation amounts deferred under our Executive Deferred Compensation Plan. The SERP Make-Up Contribution provides participants with the full amount of benefits to which they would have been entitled under the Thrift/401(k) Savings Plan if the plan (1) was not subject to certain limits under the Internal Revenue Code and (2) did not exclude from compensation amounts deferred under our Executive Deferred Compensation Plan. We believe this is an appropriate benefit

Compensation Discussion and Analysis

because it generally places the executive in the same position as other employees who are not affected by the Internal Revenue Code limits. Such a benefit is common among companies in our Comparator Group.

For specific information on the accruals and earnings under the Make-Up Contribution under the SERP for each of the named executive officers, see the “Non-qualified Deferred Compensation” table and accompanying narrative disclosures below. For a summary of our pension benefit obligations to the named executive officers, including under our tax-qualified pension plan and the Restoration Benefit of the SERP, see the “Pension Benefits” table and narrative disclosures below.

Perquisites and Additional Life and Disability Insurance Payments

Certain perquisites are made available to named executive officers. These include financial planning services, relocation reimbursements and related tax gross ups, home security systems, personal use of a car and driver for commuting transportation in the Washington, D.C. area and related tax gross ups, payment of spousal business travel and dining costs for business purposes and related tax gross ups. These types of perquisites are common among executives in our industry. In addition, providing them as perquisites (as opposed to increasing base salary in an amount designed to compensate for the loss of these perquisites) avoids the increase that would otherwise occur in certain other benefit costs that are based on the level of an executive’s base salary. Further details regarding these perquisites are contained in the Summary Compensation Table and accompanying footnotes. The Summary Compensation Table also details certain payments for life and disability insurance made on behalf of the named executive officers.

Post-Termination Compensation

The named executive officers may receive certain payments or benefits at, following, or in connection with a change in control of Freddie Mac, a change in the named executive officer’s responsibilities, or a named executive officer’s termination, including resignation, severance, retirement or constructive termination. These payments are described in detail in “Executive Compensation — Potential Payments Upon Termination or Change in Control” and “Executive Compensation — Employment and Separation Agreements”, where the specifics of the employment agreement or separation arrangement applicable to each named executive officer are explained.

The termination provisions differ significantly among the named executive officers, all of whom have employment agreements with us. These differences grew out of the different negotiations that occurred with respect to the employment of the named executive officers, all of whom were hired between December 31, 2003 and November 15, 2006. In light of the restructuring efforts that began in 2003 and which are still underway and the relatively late stages in their careers of some of our new named executive officers, it was not unexpected that a condition of their accepting employment was our provision of significant protections if their employment is terminated without cause or they terminate for good reason during the early years of their employment with us.

There are differences among the agreements regarding the magnitude of the payments to be provided in the event of certain terminations that reflect, among other things, the degree to which these issues were critical to the particular executive.

Compensation Committee Discretion

The CHRC retains the discretion to decrease all forms of incentive payouts based on significant individual or company performance, subject, in certain cases, to the terms of a named executive officer's employment agreement. Likewise, the CHRC retains the discretion to increase payouts and/or consider special awards for significant achievements.

Timing of Equity Grants

Management annually recommends to the CHRC (or the Audit Committee in the case of the General Auditor) the effective date of grant for the annual long-term equity incentive award to all eligible employees, including named executive officers. In selecting the effective date, management considers, based on discussions with our Legal Division, the timing of the release of material, non-public information and other risks. If there is no material non-public information pending, then the effective date is the date of the meeting at which the award is approved by the CHRC or Audit Committee. If there is material non-public information pending, the effective date of grant is deferred until at least three business days after the public announcement and release of the material non-public information. Neither management nor the CHRC have in the past or plan in the future to time the release of material non-public information for the purpose of affecting the value and amount of equity incentive awards.

With respect to stock-based incentive awards other than annual awards, and subject to the deferral of effective dates of grant for at least three business days in the case of pending material non-public information, management recommends to the CHRC (or the Audit Committee in the case of the General Auditor) that the effective date of grant be the date of the meeting at which the award is approved by the CHRC or the Audit Committee. Notwithstanding the preceding sentence, (a) in the case of sign-on awards, management recommends to the CHRC or Audit Committee that the effective date of grant be the date of the next regular meeting of the CHRC or Audit Committee, respectively, following both the CHRC's or Audit Committee's approval and the individual's first date of employment, and (b) if an employment agreement or other contractual obligation approved by the CHRC or the Audit Committee specifies an effective date of grant for an award, the award is effective on that date. If an employment agreement or other contractual obligation requires an award but does not specify a grant date (*e.g.*, the agreement includes a "pay by" date), management recommends to the CHRC or Audit Committee that the effective date of grant be either the effective date of grant for the annual award to executive officers or the date of the regular meeting immediately prior to the date required by such employment agreement or contractual obligation.

Adjustment or Recovery of Awards

Our standard RSU and stock option award agreements provide that any unvested RSUs and any unexercised stock options, whether or not vested, would be immediately canceled and forfeited and that the recipient would be required to repay all gains recognized upon the vesting of RSUs or exercise of our stock options under the award in the event that the employee seeks or accepts employment with a competitor to us. Under Section 304 of the Sarbanes-Oxley Act, if we are required to restate our financials due to material noncompliance with any financial reporting requirements as a result of misconduct, our Chief Executive Officer and our Chief Financial Officer must reimburse us for (1) any bonus or other incentive-based or equity-based compensation received during the 12 months following the first public issuance of the non-complying document,

and (2) any profits realized from the sale of our securities during those 12 months. Additionally, OFHEO could require us to seek to include language regarding adjustments or return of prior stock awards in employment agreements we may seek to enter into in the future.

Stock Ownership Guidelines

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 herein and in “Proposal 1: Election of Directors — Board Compensation”. We believe that stock ownership by our directors and executive officers aligns their interests with the long-term interests of our stockholders.

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 each 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, our other executive officers 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*.”

EXECUTIVE COMPENSATION

Compensation Tables

Summary Compensation Table

The following table sets forth compensation information that is required to be disclosed by SEC registrants under the rules promulgated by the SEC for our Chief Executive Officer, our Chief Financial Officer, our former Chief Financial Officer and our three other most highly compensated executive officers who were serving as executive officers as of December 31, 2006. In the discussion that follows, we refer to these individuals collectively as our named executive officers. For more information on the terms of their employment, see “Potential Payments Upon Termination or Change in Control” and “Employment and Separation Agreements” below.

Name and Principal Position	Year	Salary ⁽¹⁾	Bonus ⁽²⁾	Stock Awards ⁽³⁾⁽⁷⁾	Option Awards ⁽³⁾⁽⁷⁾	Change in Pension Value and Nonqualified Deferred Compensation Earnings ⁽⁴⁾	All Other Compensation ⁽⁵⁾	Total
Richard F. Syron Chairman of the Board and Chief Executive Officer	2006	\$1,100,000	\$2,400,000	\$7,162,448	\$3,261,460	\$355,273	\$ 453,882	\$14,733,063
Eugene M. McQuade President and Chief Operating Officer	2006	900,000	1,500,000	3,627,289	1,088,677	193,180	338,313	7,647,459
Anthony S. Pisel⁽⁶⁾ Executive Vice President and Chief Financial Officer	2006	88,750	3,100,000	93,593	0	0	367,954	3,650,297
Patricia L. Cook Executive Vice President, Investments and Capital Markets	2006	600,000	2,300,000	1,118,767	533,747	221,353	123,062	4,896,929
Joseph A. Smialowski Executive Vice President, Operations and Technology	2006	541,667	975,000	776,270	308,145	148,351	70,078	2,819,511
Martin F. Baumann⁽⁶⁾ Former Executive Vice President, Finance and Chief Financial Officer	2006	225,000	—	2,503,404	264,387	0	1,651,646	4,644,437

- (1) Mr. Pisel’s 2006 salary of \$88,750 was attributable to the period from his employment date, November 13, 2006, through December 31, 2006, based on an annual salary of \$650,000. Mr. Smialowski’s 2006 salary of \$541,667 was attributable to his annual salary of \$500,000 from January 1, 2006 through February 28, 2006 and \$550,000 from March 1, 2006 through December 31, 2006. Mr. Baumann resigned his position as Executive Vice President, Finance and Chief Financial Officer effective March 21, 2006 and entered into a separation agreement with us, which superceded his prior letter agreements and retention agreements. Under 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 Mr. Baumann’s separation agreement, see “Employment and Separation Agreements — *Martin F. Baumann*” below. Mr. Baumann’s 2006 salary of \$225,000 was attributable to his employment through May 31, 2006 based on an annual salary of \$540,000.
- (2) Amounts reported for all named executive officers are for performance in 2006. Mr. Pisel’s bonus also includes a one-time cash sign-on bonus of \$2,500,000 that is subject to repayment under certain circumstances. Under the terms of his March 21, 2006 separation agreement, Mr. Baumann did not receive a bonus for 2006 performance. The 2006 bonus amounts were approved by the CHRC on March 3, 2007 and paid on March 16, 2007. For more information on the 2006 bonus amounts, see “Compensation Discussion and Analysis — Compensation Structure — *2006 Annual Bonus Compensation*” above. For information regarding guaranteed bonuses and contractual target bonuses for Messrs. Syron, McQuade and Pisel, see “Employment and Separation Agreements” below.

Executive Compensation

- (3) Represents the compensation cost for 2006 of all of the named executive officers' stock awards (all of which were RSUs) and stock options, respectively, outstanding in 2006, as determined under SFAS 123(R), rather than an amount paid to or realized by the executives. See NOTE 11 to the consolidated financial statements included in the accompanying Annual Report for a discussion of the assumptions made in determining SFAS 123(R) values. The amounts reported disregard estimates of forfeitures for awards with service-based vesting conditions. There can be no assurance that the SFAS 123(R) amounts will ever be realized.
- (4) Amounts reported reflect only the actuarial increase in the present value of each named executive officer's accrued benefits under our Pension Plan and the Restoration Benefit of the SERP from September 30, 2005 to September 30, 2006, determined using the assumptions applied in our consolidated financial statements for the year ended December 31, 2006 and the normal retirement age of 65 specified in the Pension Plan. See NOTE 15 to the consolidated financial statements included in the accompanying Annual Report for a discussion of these assumptions. Present values are determined based on generational mortality tables developed by the Society of Actuaries' Retirement Plans Experience Committee.

The amount reported for Mr. Pizsel is zero because as of December 31, 2006 he had not met the eligibility requirements for the Pension Plan and the SERP and had not accrued any benefits. The amount reported for Mr. Baumann is zero because he was not vested in any pension benefits at the time of his termination of employment. For the remaining named executive officers, these values include amounts that the named executive officers are not currently entitled to receive because such amounts are not yet vested. The amounts reported do not include values associated with retiree medical benefits, which are generally available to all employees. For additional information concerning the Pension Plan and the SERP Restoration Benefit, see "Pension Benefits" below. For additional information concerning the SERP Make-Up Contribution, see "Non-qualified Deferred Compensation" below.

- (5) Amounts reported reflect (i) basic and matching contributions we made to our tax-qualified Thrift/401(k) Savings Plan in fiscal 2006; (ii) accruals we made pursuant to the SERP Make-Up Contribution; (iii) FlexDollars (described below); (iv) the dollar value of premiums paid by us with respect to life and disability insurance; (v) perquisites and other personal benefits received; (vi) gross-ups for the payment of taxes associated with perquisites and other personal benefits; and (vii) paid or accrued severance obligation. These amounts are as follows:

	Thrift/401(k) Savings Plan Contributions	SERP Make-Up Accruals	Flex Dollars	Life and Disability Insurance Premiums	Perquisites	Tax Gross-Ups	Paid or Accrued Severance Obligation
Mr. Syron	\$13,200	\$229,375	\$22,344	\$167,694	\$ 15,114	\$ 6,155	\$ 0
Mr. McQuade	13,200	71,250	18,978	205,578	22,385	6,922	0
Mr. Pizsel	0	0	180	0	250,132	117,642	0
Ms. Cook	13,100	96,250	13,712	0	0	0	0
Mr. Smialowski	7,167	49,767	13,144	0	—	0	0
Mr. Baumann	12,675	89,758	5,742	0	—	3,471	1,540,000

Employer contributions to the Thrift/401(k) Savings Plan are available on the same terms to all of our employees. We match up to the first 6% of eligible compensation at 100% of the employee's contributions, with the percentage matched dependent upon the employee's length of service. Employee contributions and our matching contributions are invested in accordance with the employee's investment election and are immediately vested. In addition, we have discretionary authority to make additional contributions to our Thrift/401(k) Savings Plan, referred to as the "basic contribution," that are allocated uniformly on behalf of each eligible employee, based on a stated percentage of each employee's eligible compensation. The formula for the contribution is 2% of pay up to the Social Security wage base, which was \$94,200 for 2006, and 4% of pay above the Social Security wage base. In 2006, employees became vested in the basic contribution after five years of service.

For additional information regarding the SERP Make-Up Contribution, see "Non-qualified Deferred Compensation" below.

FlexDollars are provided under our Flexible Benefits Plan and are generally available to all employees to offset costs related to medical coverage, dental coverage, vision coverage, group term life insurance, accidental death and personal loss insurance, and vacation purchase. FlexDollars can be used to offset the cost of other benefits and any unused FlexDollars are payable as taxable income.

We provide Mr. Syron life insurance policies totaling \$10,000,000 to be paid in the event of his death and a disability policy due to be paid to Mr. Syron in the event of his disability. We provide Mr. McQuade life insurance policies totaling \$7,000,000 to be paid in the event of his death and disability coverage to provide benefits to Mr. McQuade in the event of his disability. Amounts reported reflect premiums paid on these policies in 2006. For more information regarding insurance benefits made available to Messrs. Syron and McQuade, see “Potential Payments Upon Termination or Change in Control” and “Employment and Separation Agreements” below.

Perquisites include financial planning, legal fees paid in connection with the negotiation of the executive’s employment contract, personal use of car and driver for commuting in the Washington, D.C. metro area, home security systems, spousal travel and dining for business purposes, and relocation. Perquisites are valued at their aggregate incremental cost to Freddie Mac. During 2006, the aggregate value of perquisites furnished to each of Messrs. Baumann and Smialowski was less than \$10,000.

For Mr. Pizsel, the perquisite cost reported for 2006 that exceeds the greater of \$25,000 or 10% of the total perquisite costs reported is \$225,132 for relocation expense. Aggregate incremental cost for this perquisite expense is calculated based on the actual cost of services. For more information regarding Mr. Pizsel’s relocation expense, see “Employment and Separation Agreements — *Anthony S. Pizsel*” below.

For Mr. Baumann, the amount reported under “Paid or Accrued Severance Obligation” is pursuant to his separation agreement dated March 21, 2006. This amount includes \$1,000,000 in cash with respect to a November 1, 2005 retention award and \$540,000 in severance payable over one year in semi-monthly installments, of which \$45,000 was paid in 2006. For more information, see “Potential Payments Upon Termination or Change in Control — *Martin F. Baumann*” and “Employment and Separation Agreements — *Martin F. Baumann*” below.

- (6) Mr. Pizsel became Executive Vice President and Chief Financial Officer on November 13, 2006. 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.
- (7) Grants of RSUs include the right to receive dividend equivalents. Prior to January 1, 2006, stock options also had dividend equivalent rights on each share underlying the option equal to the dividend per share declared and paid on our outstanding 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. In response to Internal Revenue Code Section 409A, the CHRC approved a modification of the terms of certain outstanding stock options granted under the 2004 Employee Plan. In particular, 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 were modified to eliminate the accrual of dividend equivalents. Dividend equivalents accrued through December 31, 2005 with respect to these stock options were distributed in a lump sum in 2006. Thereafter, dividend equivalents with respect to these stock options will not accrue but will be distributed as soon as practicable after dividend equivalents on our common stock have been declared. Beginning January 1, 2006, dividend equivalents are no longer granted in connection with awards of stock options.

The value of dividend equivalents is recognized in the compensation expense of the stock option and RSU awards shown in the Summary Compensation Table. The table below shows the actual amount of cash dividend equivalents paid in 2006 to the named executive officers on their outstanding RSU awards and the portions of their outstanding stock option awards that were not vested and exercisable before January 1, 2005.

	Dividend Equivalents Paid on RSUs	Dividend Equivalents Paid on Stock Options	Total Dividend Equivalents Paid
Mr. Syron	\$471,555	\$1,180,719	\$1,652,274
Mr. McQuade	\$288,602	\$ 347,332	\$ 635,934
Mr. Pizsel	\$ 39,470	\$ 0	\$ 39,470
Ms. Cook	\$111,177	\$ 190,655	\$ 301,832
Mr. Smialowski	\$ 83,212	\$ 86,856	\$ 170,068
Mr. Baumann	\$ 94,768	\$ 257,930	\$ 352,698

Grants of Plan-Based Awards

The following table contains information concerning awards of stock options and RSUs made to each of the named executive officers during fiscal year 2006. In 2006, we did not make any grants of awards under any non-equity or equity incentive plans. For more information on the equity awards to our named executive officers, including the timing of equity grants and determination of the exercise price of stock option awards, see “Compensation Discussion and Analysis — RSUs” and “— Stock Options” above.

Name	Grant Date ⁽¹⁾	CHRC Approval Date ⁽¹⁾	All Other Stock Awards: Number of Shares of Stock or Units (#) ⁽²⁾	All Other Option Awards: Number of Securities Underlying Options (#) ⁽³⁾	Exercise or Base Price of Option Awards (\$/Sh) ⁽⁴⁾	Closing Price on Grant Date (\$)	Grant Date Fair Value of Stock and Option Awards ⁽⁵⁾ (\$)
Mr. Syron	06/05/06	06/01/06	120,770	131,430	\$60.45	\$60.10	\$9,500,685
Mr. McQuade	06/05/06	06/01/06	82,300	89,610	60.45	60.10	6,475,106
Mr. Pizsel	12/07/06	09/07/06	78,940	—	—	68.50	5,473,305
Ms. Cook	06/05/06	06/01/06	36,400	39,580	60.45	60.10	2,862,949
Mr. Smialowski	06/05/06	06/01/06	34,330	37,340	60.45	60.10	2,700,321
Mr. Baumann ⁽⁶⁾	—	—	—	—	—	—	—

(1) Other than for Mr. Pizsel, these equity awards were made in 2006 in respect of the executive’s performance in 2005. The CHRC approved the annual grant of RSUs and stock options for executive officers on June 1, 2006, with an effective grant date of June 5, 2006, which was the second business day of the open stock trading window period following the release of our fiscal year 2005 financial results.

On September 7, 2006, the CHRC approved a one-time sign-on grant of RSUs for Mr. Pizsel with an effective date of December 7, 2006, the date of the next regularly scheduled CHRC meeting after Mr. Pizsel’s start date of November 13, 2006.

(2) To determine the number of RSUs for the annual award, the CHRC first sets the dollar amount of RSUs to be awarded. On the grant date, that dollar amount is converted into RSUs by dividing the dollar amount of the award by the fair market value of our common stock on the grant date. Prior to December 7, 2006, fair market value was equal to the average of the high and low prices of our common stock on the grant date. Effective December 7, 2006, fair market value is equal to the closing price of our common stock on the grant date.

With the exception of Mr. Pizsel’s sign-on award, the RSUs granted to the named executive officers will vest at a rate of 25% in each of June 2007, 2008, 2009 and 2010. Mr. Pizsel’s December 7, 2006 award will vest at a rate of 25% in each of December 2007, 2008, 2009 and 2010.

- (3) To determine the number of stock options for the annual award, the CHRC first sets the dollar amount of stock options to be awarded. On the grant date, that dollar amount is converted into a number of shares of common stock subject to the stock option using the Black-Scholes model for the valuation of stock options. The stock options granted to the named executive officers will vest at a rate of 25% in each of June 2007, 2008, 2009 and 2010.
- (4) Consistent with the terms of the 2004 Employee Plan, the option exercise price is set at a price equal to the fair market value of our common stock on the grant date.
- (5) The amounts reported in this column reflect the aggregate grant date fair value, determined in accordance with SFAS 123(R), of RSU and stock option awards granted during 2006.

The grant date fair value of RSU awards is calculated by multiplying the number of RSUs granted by the grant date fair value of our common stock. The grant date fair value of our common stock was \$60.45 on June 5, 2006. In accordance with SFAS 123(R), the grant date fair value of Mr. Pizel's sign-on award is based on the fair market value of our common stock on his date of hire, which was \$69.34. The grant date fair value of stock option awards is calculated by multiplying the number of stock options granted by the Black-Scholes value of the option. The per-option SFAS 123(R) grant date fair value was \$16.74. See NOTE 11 to the consolidated financial statements included in the accompanying Annual Report for a discussion of assumptions made by us in determining the grant date fair value of these equity awards. There can be no assurance that the RSUs and stock options will ever vest and that the stock options will ever be exercised (in which case no value will be realized by the executive) or that the value on vesting of the RSUs or on exercise of the stock options will equal the SFAS 123(R) value.

The following is a break-out of the aggregate SFAS 123(R) grant date fair values of each named executive officer's RSU and stock option awards reported in this column:

<u>Name</u>	<u>Grant Date Fair Value of RSU Awards (\$)</u>	<u>Grant Date Fair Value of Option Awards (\$)</u>
Mr. Syron	\$7,300,547	\$2,200,138
Mr. McQuade	4,975,035	1,500,071
Mr. Pizel	5,473,305	—
Ms. Cook	2,200,380	662,569
Mr. Smialowski	2,075,249	625,072
Mr. Baumann	—	—

- (6) Mr. Baumann left the company in 2006 and did not receive any awards of stock options or RSUs during 2006.

Outstanding Equity Awards at Fiscal Year-End

The following table shows outstanding equity awards held by the named executive officers as of December 31, 2006.

Name	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Option Exercise Price (\$) ⁽¹⁾	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$) ⁽²⁾
Mr. Syron	83,290 ⁽⁴⁾	83,290 ⁽⁴⁾	\$64.36	08/08/14	37,815 ⁽⁴⁾	\$2,567,639
	41,347 ⁽⁵⁾	124,043 ⁽⁵⁾	62.69	05/05/15	58,238 ⁽⁵⁾	3,954,360
	—	131,430 ⁽⁵⁾	60.45	06/04/16	120,770 ⁽⁵⁾	8,200,283
Mr. McQuade	—	—	—	—	30,883 ⁽⁶⁾	2,096,956
	28,192 ⁽⁵⁾	84,578 ⁽⁵⁾	62.69	05/05/15	39,713 ⁽⁵⁾	2,696,513
	—	89,610 ⁽⁵⁾	60.45	06/04/16	82,300 ⁽⁵⁾	5,588,170
Mr. Pizsel	—	—	—	—	78,940 ⁽⁶⁾	5,360,026
Ms. Cook	—	—	—	—	3,870 ⁽⁶⁾	262,773
	9,290 ⁽⁵⁾	9,290 ⁽⁵⁾	64.63	08/01/14	8,560 ⁽⁵⁾	581,224
	9,397 ⁽⁵⁾	28,193 ⁽⁵⁾	62.69	05/05/15	13,238 ⁽⁵⁾	898,860
	—	39,580 ⁽⁵⁾	60.45	06/04/16	36,400 ⁽⁵⁾	2,471,560
Mr. Smialowski	—	—	—	—	4,043 ⁽⁶⁾	274,520
	7,050 ⁽⁵⁾	21,150 ⁽⁵⁾	62.69	05/05/15	9,930 ⁽⁵⁾	674,247
	—	37,340 ⁽⁵⁾	60.45	06/04/16	34,330 ⁽⁵⁾	2,331,007
Mr. Baumann ⁽³⁾	—	—	—	—	16,950 ⁽⁷⁾	1,150,905
	—	—	—	—	6,740 ⁽⁴⁾	457,646
	—	—	—	—	7,060 ⁽⁵⁾	479,374
	—	—	—	—	16,300 ⁽⁸⁾	1,106,770

- (1) Consistent with the terms of our 2004 Employee Plan, the option exercise price is set at a price equal to the fair market value of our common stock on the grant date.
- (2) Market value is calculated by multiplying the number of RSUs held by each named executive officer on December 31, 2006 by the closing price of our common stock on December 29, 2006 (\$67.90), the last day of trading for the year.
- (3) 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. For more information see “Employment and Separation Agreements — *Martin F. Baumann*” below.
- (4) Stock options and RSUs granted on August 9, 2004 vest at a rate of 25% on August 9, 2005, April 1, 2006, April 1, 2007 and April 1, 2008. Mr. Baumann’s RSU awards have vested and will be settled according to such schedule.
- (5) Stock options and RSUs granted on August 2, 2004, May 6, 2005 and June 5, 2006 vest at a rate of 25% on each anniversary of the grant date. Mr. Baumann’s RSU awards have vested and will be settled according to such schedule.
- (6) Mr. McQuade’s sign-on grant of RSUs vests at a rate of 33.33% on each anniversary of the September 1, 2004 grant date. Mr. Pizsel’s September 7, 2006 sign-on award of RSUs vests at a rate of 25% on each anniversary of the December 7, 2006 grant date. Ms. Cook’s sign-on award of RSUs vests at a rate of 33.33% on each anniversary of the August 2, 2004 grant date. Mr. Smialowski’s sign-on award of RSUs vests at a rate of 33%, 33%, and 34% on each anniversary of the December 13, 2004 grant date.
- (7) RSUs granted on November 26, 2003 are vested and will settle on March 6, 2008.
- (8) RSUs granted on November 1, 2005 are vested and will settle on December 31, 2007.

For information on alternative settlement provisions of RSU and stock option grants in the event of certain terminations, see “Potential Payments Upon Termination or Change in Control” below.

Option Exercises and Stock Vested

The following table sets forth information concerning value realized upon the exercise of stock options and the vesting of RSUs during fiscal year 2006 by each of the named executive officers.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#) ⁽¹⁾	Value Realized on Vesting (\$) ⁽²⁾
Mr. Syron.....	—	—	88,673	\$5,792,908
Mr. McQuade	—	—	44,120	2,784,742
Mr. Piszal.....	—	—	—	—
Ms. Cook	—	—	12,562	742,040
Mr. Smialowski	—	—	7,234	476,341
Mr. Baumann ⁽³⁾	23,967	\$154,465	6,900	427,460

(1) Amounts reported reflect the number of RSUs that vested during 2006 prior to our withholding of shares to satisfy appropriate taxes.

(2) Amounts reported are calculated by multiplying the number of pre-tax RSUs that vested during 2006 by the fair market value of our common stock on the day of vesting.

(3) Mr. Baumann left the company in 2006. For more information, see “Potential Payments Upon Termination or Change In Control — *Martin F. Baumann*” and “Employment and Separation Agreements — *Martin F. Baumann*” below.

Pension Benefits

The following table shows the actuarial present value of the accumulated retirement benefits payable under the Pension Plan and the SERP Restoration Benefit to each of the named executive officers, computed as of September 30, 2006, the date used for pension calculations in our consolidated financial statements for the year ended December 31, 2006 included in the accompanying Annual Report. A summary of the material terms of each plan follows the table, including information on early retirement.

Name	Plan Name	Number of Years Credited Service (#) ⁽¹⁾⁽³⁾	Present Value of Accumulated Benefit (\$) ⁽²⁾⁽³⁾	Payments During Last Fiscal Year (\$)
Mr. Syron	Pension Plan	3.0	\$ 59,360	\$0
	SERP — Restoration	3.0	752,685	
Mr. McQuade	Pension Plan	2.3	35,334	0
	SERP — Restoration	2.3	287,170	
Mr. Piszal	Pension Plan	0	0	0
	SERP — Restoration	0	0	
Ms. Cook	Pension Plan	2.4	30,344	0
	SERP — Restoration	2.4	311,446	
Mr. Smialowski	Pension Plan	2.1	31,549	0
	SERP — Restoration	2.1	154,500	
Mr. Baumann	Pension Plan	—	—	0
	SERP — Restoration	—	—	

- (1) Amounts reported represent the credited years of service for each named executive officer as of September 30, 2006, under either the Pension Plan or the Restoration Benefit of the SERP. Amounts reported do not reflect certain contractual retirement benefits Messrs. Syron and McQuade would receive pursuant to their respective employment agreements should their employment be terminated under certain conditions prior to vesting in the SERP Restoration Benefit. For further information on these additional benefits for Messrs. Syron and McQuade, see “Potential Payments Upon Termination or Change in Control”.
- (2) Amounts reported reflect the present value, expressed as a lump sum as of September 30, 2006, of each named executive officer’s benefits under the Pension Plan and the Restoration Benefit of the SERP, respectively. Amounts reported are calculated using the assumptions applied in NOTE 15 to the consolidated financial statements included in the accompanying Annual Report, and the normal retirement age of 65 specified in the Pension Plan. Present values represent generational mortality tables developed by the Society of Actuaries’ Retirement Plans Experience Committee, which are typically used by companies since this table continually updates itself and reflects improving mortality. For all of the named executive officers except Messrs. Piszal and Baumann, the amounts shown may include amounts in which the named executive officers are not yet vested. Pension Plan and SERP Restoration benefits are subject to a five-year cliff vesting schedule. For additional information, see the descriptions of their respective employment agreements under “Employment and Separation Agreements” below. Mr. Piszal joined us as Executive Vice President and Chief Financial Officer on November 13, 2006 and has not yet met the one year and 1000 hour eligibility requirements for the Pension Plan or SERP Restoration Benefit; therefore, the benefit amounts as of September 30, 2006 for Mr. Piszal are zero.
- (3) Mr. Baumann was not vested in the Pension Plan or the SERP Restoration Benefit at the time of his termination of employment with us on May 31, 2006.

Pension Plan

The Pension Plan is a tax-qualified, defined benefit pension plan we maintain that covers substantially all employees who have attained age 21 and completed one year of service with us. Pension Plan benefits are based on an employee’s years of service and highest average monthly compensation, up to limits imposed by law. Specifically, the normal retirement benefit under the Pension Plan is a monthly payment calculated as 1% of the participant’s highest average monthly compensation for the 36-consecutive month period during which the participant’s compensation was the highest, multiplied by the participant’s full and partial years of credited service under the Pension Plan.

For purposes of the Pension Plan, compensation includes the non-deferred base salary paid to each employee, as well as overtime pay, shift differentials, non-deferred bonuses paid under our corporate-wide annual bonus program or pursuant to a functional incentive plan (excluding the value of any stock options or cash equivalents), commissions, and amounts deferred under the

Thrift/401(k) Savings Plan, the Flexible Benefits Plan and qualified transportation under Section 132(c)(4) of the Internal Revenue Code. Compensation does not include supplemental compensation plans providing temporary pay, or any amounts paid after termination of employment.

Notwithstanding the lump sum nature of the disclosure in the table above, lump sum payments are not permitted under the Pension Plan if the present value of the accrued benefit would equal or exceed \$25,000. The normal form of benefit under the Pension Plan is an annuity providing monthly payments for the life of the participant and a survivor annuity for the participant's spouse or beneficiary, if applicable. Optional forms of benefit payment are available, including single life annuity payments, subject to spousal consent if the actuarial present value of such benefit exceeds \$5,000 at the time of distribution. A benefit with an actuarial present value equal to or less than \$5,000 may only be paid as a lump sum.

Participants under the Pension Plan who terminate employment before age 55 with at least five years of service are considered "terminated vested" participants. Such participants may commence their benefit under the Pension Plan as early as age 55. The benefit is equal to the vested portion of the participant's accrued benefit, reduced by 1/180th for each of the first 60 months, and by 1/360th for each of the next 60 months, by which the commencement of such benefits precedes age 65.

An early retirement benefit is available to a participant who terminates employment on or after age 55 with at least five years of service. This early retirement benefit is reduced by three percent (3%) for each year (prorated monthly for partial years) by which the commencement of such benefits precedes the earlier of (i) age 65 or (ii) such participant's attainment of age 62 or later with at least 15 years of service or projected service as if the participant continued working until age 62. There is no reduction for early commencement if the benefit is commenced at or after age 62 (but before age 65) if the participant has 15 years of service or projected service.

Supplemental Executive Retirement Plan — Restoration Benefit

The "Restoration Benefit" component of the SERP is designed to provide participants with the full amount of benefits to which they would have been entitled under the Pension Plan if the plan (1) was not subject to certain limits on compensation that can be taken into account under the Internal Revenue Code and (2) did not exclude from "compensation," amounts deferred under our Executive Deferred Compensation Plan. For example, the Pension Plan is only permitted under the Internal Revenue Code to consider the first \$220,000 of an employee's compensation during 2006 for the purpose of determining the participant's compensation-based normal retirement benefit. We believe the Restoration Benefit is an appropriate benefit because offering such a benefit helps us remain competitive with companies in the Comparator Group.

The Restoration Benefit is calculated as the participant's accrued annual benefit payable at age 65 (or current age, if greater) under the Pension Plan without application of the limits described in the preceding paragraph, less the participant's actual accrued benefit under the Pension Plan. The Restoration Benefit is vested for each participant to the same extent that the participant is vested in the corresponding benefit under the Pension Plan.

To be eligible for the SERP for any year, the named executive officer must be eligible to participate in the Pension Plan and eligible for matching contributions and basic contributions under the Thrift/401(k) Savings Plan for part of that year.

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SERP Restoration Benefits that vest on or after January 1, 2005 are generally distributed in a lump sum after separation from service (other than death) and are payable 90 days after the end of the calendar year in which separation occurs. However, at the election of the employee, and subject to certain restrictions and requirements under Section 409A, the Restoration Benefit may be paid upon separation in the form of a single life annuity at age 65 or in equal annual installments over five, 10 or 15 years.

If the Restoration Benefit becomes payable in a lump sum, such lump sum is calculated as the greater of (i) the lesser of (a) the present value of the annuity, calculated either under the normal benefit formula as in effect on December 31, 1997 or the immediate and deferred annuity rates published by the Pension Benefit Guaranty Corporation for plans terminating on January 1, 1998, and (b) the single employer immediate and deferred rate issued by the Pension Benefit Guaranty Corporation for plans terminating on January 1 of the year of calculation, or (ii) the present value of the annuity calculated under the normal benefit formula using the actuarial assumptions applicable to calculation of a lump sum under the Pension Plan as of January 1 of the year of calculation.

Internal Revenue Code Section 409A imposed a significant new statutory framework applicable to nonqualified deferred compensation, generally effective for deferred amounts that vest on or after January 1, 2005. These new rules necessitated amendments to our SERP in 2005, as well as changes in operation that are not yet reflected in plan language given the fact that regulatory guidance from the Internal Revenue Service on Internal Revenue Code Section 409A was only recently provided in April 2007. Additional amendments to our SERP may be required given the Internal Revenue Service's final regulations implementing Section 409A. The forms of payment described above are applicable to benefits that vest on or after January 1, 2005. Benefits that vested prior to that date are distributed in different forms. None of the named executive officers have any SERP Restoration Benefits that were vested prior to January 1, 2005.

Non-qualified Deferred Compensation

The following table shows the contributions, earnings, withdrawals and distributions, and accumulated balances under the Make-Up Contribution of the SERP for each named executive officer as of December 31, 2006. None of the named executives has deferred compensation balances under the Executive Deferred Compensation Plan. A summary of the material terms of the Make-Up Contribution of the SERP follows the table. For more information, see "Compensation Discussion and Analysis — Other Executive Benefits, including Perquisites and Retirement Benefits — *Executive Deferred Compensation and Supplemental Executive Retirement Plan*" above.

Name	Executive Contributions in Last FY (\$) ⁽¹⁾	Freddie Mac Contributions in Last FY (\$) ⁽²⁾	Aggregate Earnings in Last FY (\$) ⁽³⁾	Aggregate Withdrawals / Distributions (\$) ⁽⁴⁾	Aggregate Balance at Last FYE (\$) ⁽⁴⁾
Mr. Syron	\$0	\$229,375	\$12,774	\$0	\$345,938
Mr. McQuade	0	71,250	2,339	0	81,513
Mr. Pisel	0	0	0	0	0
Ms. Cook	0	96,250	2,948	0	106,000
Mr. Smialowski	0	49,767	1,372	0	51,765
Mr. Baumann	0	89,758	7,631	0	187,749

(1) The SERP does not allow for employee contributions.

(2) Amounts reported reflect company accruals under the Make-Up Contribution component of the SERP during 2006. These amounts are also reported in the “All Other Compensation” column of the Summary Compensation Table. Mr. Pisel is not yet eligible to participate in the SERP and, therefore, had not accrued any benefits as of December 31, 2006.

(3) Amounts reported represent the total interest and other earnings credited to each named executive officer under the Make-Up Contribution of the SERP during 2006. None of the amounts reported are reflected in the column “Change in Pension Value and Nonqualified Deferred Compensation Earnings” in the Summary Compensation Table because none of the earnings were above-market or preferential as defined by SEC rules. Mr. Pisel is not yet eligible to participate in the SERP and, therefore, had not accrued any benefits as of December 31, 2006.

(4) Amounts reported reflect the accumulated balances under the Make-Up Contribution of the SERP for each named executive officer, including non-vested accruals. Matching contribution accruals vest immediately, whereas the basic contribution accruals as of December 31, 2006 are subject to a five-year cliff-vesting schedule. Because none of the named executive officers has met the five-year vesting requirement for the basic contribution, the difference in the aggregate balance above and the vested balance is equal to the non-vested basic contributions plus earnings. The vested and non-vested components for each named executive officer are as follows: Mr. Syron: vested balance: \$205,143; non-vested balance: \$140,796; Mr. McQuade: vested balance: \$77,775; non-vested balance: \$3,738; Mr. Pisel: not yet eligible, therefore no accruals; Ms. Cook: vested balance: \$104,339; non-vested balance: \$1,661; Mr. Smialowski: vested balance: \$50,865; non-vested balance: \$900; and Mr. Baumann: vested balance: \$105,478; non-vested balance: \$82,271. For a more detailed discussion of the matching contribution accruals and basic contribution accruals, see “Supplemental Executive Retirement Plan — Make-Up Contribution” below.

Supplemental Executive Retirement Plan — Make-Up Contribution

The “Make-Up Contribution” portion of the SERP is an unfunded, nonqualified defined contribution plan designed to provide participants with the full amount of benefits that they would have been entitled to under the Thrift/401(k) Savings Plan if that plan (1) was not subject to certain limits on compensation that can be taken into account under the Internal Revenue Code and (2) did not exclude from compensation amounts deferred under our Executive Deferred Compensation Plan. For example, in 2006 under the Internal Revenue Code, only the first \$220,000 of an employee’s compensation is considered when determining the company’s percentage-based matching contribution for any participant in the Thrift/401(k) Savings Plan. We believe the Make-Up Contribution is an appropriate benefit because offering such a benefit helps us remain competitive with companies in the Comparator Group.

The Make-Up Contribution equals the amount of the employer matching contributions and basic contribution for each named executive officer that would have been made to the Thrift/401(k) Savings Plan during the year, based upon the participant’s eligible compensation, without application of the above limits, less the amount of the matching contributions and basic contribution actually made to the Thrift/401(k) Savings Plan during the year. Participants are

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credited with earnings or losses in their Make-Up Contribution accounts based upon each participant's individual direction of the investment of such notional amounts among the virtual investment funds available under the SERP. Such investment options are based upon and mirror the performance of those investment options available under the Thrift/401(k) Savings Plan. As of December 31, 2006, there were 11 investment options in which participants' notional amounts could be invested.

To be eligible for the SERP, the named executive officer must be eligible to participate in the Pension Plan and be eligible for matching contributions and basic contributions under the Thrift/401(k) Savings Plan for part of the year. Additionally, to be eligible for the portion of the Make-Up Contribution attributable to employer matching contributions, the named executive officer must contribute the maximum amount permitted under the terms of the Thrift/401(k) Savings Plan on a pre-tax basis throughout the entire portion of the year in which the named executive officer is eligible to make such contributions. That portion of the Make-Up Contribution is vested when accrued, while the accrual relating to the basic contribution is subject to five year cliff vesting. For amounts vesting on or after January 1, 2005, the Make-Up Contribution is distributed as a lump sum payable 90 days after the end of the calendar year in which separation occurs.

As mentioned above, Internal Revenue Code Section 409A has led us to amend our SERP, and we anticipate future amendments now that final regulations have been released. The form of payment described above is applicable to amounts that vest on or after January 1, 2005. None of the named executive officers had any benefits that were vested as of that date.

Potential Payments Upon Termination or Change in Control

We have entered into certain employment agreements and maintain certain plans that will require us to provide compensation to our named executive officers in the event of a termination of employment or a change in control of Freddie Mac. The compensation and benefits payable to each named executive officer as of December 31, 2006 are shown in the tables below. For more information, see "Employment and Separation Agreements" below. OFHEO has reviewed the terms of the employment and separation agreements for Ms. Cook and Messrs. Syron, McQuade, Pizsel and Baumann and has approved the termination benefits set forth therein.

As of December 31, 2006, none of the named executive officers were eligible for retirement benefits. With the exception of Mr. Baumann, the amounts presented in the tables below do not include vested RSU or stock option awards or vested balances in the SERP Make-Up Contribution as of December 31, 2006 because such vesting was not in connection with a termination or change in control. Amounts shown in the tables also do not include certain items available to all employees generally upon a termination event.

Alternative Settlement Provisions of Equity Awards in the Event of Certain Terminations

RSUs

The RSUs awarded to our employees, including the named executive officers, provide for alternative settlement provisions in the event of certain terminations, as follows:

- Immediate vesting and settlement occurs in the event of death or disability.
- In the event of normal retirement, as defined in the 2004 Employee Plan, RSUs will vest immediately and will be settled in accordance with the vesting schedule outlined in the award

agreement as if termination had not occurred, with the exception that RSUs granted within one year of retirement will be forfeited. This treatment is subject to the executive's signing an agreement containing certain restrictive covenants, including, but not limited to, non-competition, non-solicitation, continued cooperation and other matters to protect our business interests. Violation of any of the covenants results in the forfeiture of unsettled shares and the requirement to repay any after-tax gain realized from the settlement of shares within 12 months of the forfeiture event. In the event of retirement other than a normal retirement, as defined in the 2004 Employee Plan, the vesting and settlement of awards may be accelerated at the discretion of the CHRC with respect to the named executive officers other than Messrs. Syron and McQuade. This provision is not applicable to the awards granted to Messrs. Syron and McQuade as their employment agreements govern the treatment of long-term equity awards under various termination scenarios.

- In the event of a termination due to “special circumstances,” such as a reorganization, a job relocation, or a restructuring or other no-fault displacement, as determined in the sole and absolute discretion of the Chairman and Chief Executive Officer, the RSUs vest immediately and settle in accordance with the vesting schedule outlined in the award agreement as if termination had not occurred. This provision is not applicable to the awards granted to Mr. Syron, Mr. McQuade and Mr. Pizsel's sign-on grant as their agreements govern the treatment of long-term equity awards under various termination scenarios.

Stock Options

The stock options granted to our employees, including the named executive officers, provide for alternative settlement provisions in the event of certain terminations, which are similar to the provisions for RSUs, with the following modifications:

- The stock options remain exercisable for three years after the date of termination in the event of death.
- The stock options remain exercisable for the full balance of their term in the event of disability.
- In the event of retirement, as defined in the 2004 Employee Plan, stock options will continue to vest and remain exercisable for the full balance of the term, subject to the executive's signing an agreement containing the same restrictive covenants as described above for RSUs.
- The stock options will continue to vest and remain exercisable for the full balance of their term in the event of termination due to “special circumstances” as described above for RSUs. This provision is not applicable to the awards granted to Messrs. Syron and McQuade as their employment agreements govern the treatment of long-term equity awards under various termination scenarios.
- If the individual's employment is terminated for any reason other than those described above, the employee has 90 days after termination to exercise options vested as of the date of termination.

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Richard F. Syron

The following table describes the potential payments as of December 31, 2006 upon termination or a change in control of Freddie Mac for Richard F. Syron, our Chief Executive Officer.

Benefits and Payments Upon Termination	Voluntary Without Good Reason Resignation ⁽¹⁾	Involuntary For Cause Termination ⁽²⁾	Voluntary For Good Reason Resignation or Involuntary Without Cause Termination ⁽¹⁾⁽³⁾	Death or Disability ⁽⁴⁾	Change in Control (Without Termination) ⁽⁵⁾
Compensation:					
Base Salary	—	—	\$ 2,200,000	—	—
Annual Bonus ⁽⁶⁾	—	—	3,960,000	\$ 1,320,000	—
Equity Awards	—	—	16,263,109	16,642,546	\$16,263,109
Benefits:					
Non-qualified Pension	—	—	752,685	752,685	—
Deferred Compensation Payouts	—	—	—	140,796	—
Post-termination Health Care	—	—	20,529	—	—
Life Insurance Proceeds	—	—	—	9,693,520	—
Disability Benefits	—	—	—	505,392	—
Total	—	—	\$23,196,323	\$29,054,939 ⁽⁷⁾	\$16,263,109

(1) A June 1, 2006 agreement with Mr. Syron that increased his annual bonus target attributable to performance during 2006 from 120% to 240% of his base salary provides that for subsequent performance years the payment of an annual bonus pursuant to the 120% target specified in his December 31, 2003 employment agreement will not constitute “Good Reason.” Also, our Board’s appointment, prior to the December 31, 2008 termination of Mr. Syron’s employment agreement, of a successor Chief Executive Officer reasonably acceptable to Mr. Syron does not constitute “Good Reason,” provided that Mr. Syron remains Chairman of our Board.

(2) Mr. Syron may be considered for a bonus attributable to 2006 under this termination event, at the discretion of the CHRC.

(3) The amount reported under Base Salary reflects Mr. Syron’s annualized base salary of \$1,100,000 payable with respect to the two years left under Mr. Syron’s employment agreement (attributable to 2007 and 2008). The amount reported under Annual Bonus reflects the sum of Mr. Syron’s target bonus attributable to each of 2006, 2007 and 2008. The amount reported under Equity Awards reflects \$8,800,000 in cash for the unvested long term equity award granted in 2006; the value of all unvested RSUs granted prior to 2006, which vest immediately upon such termination; and the value of all unvested options granted prior to 2006, which become exercisable immediately upon such termination. For RSUs granted prior to 2006, the value is calculated on a grant-by-grant basis by multiplying the number of unvested RSUs by the closing price of our common stock on December 29, 2006. For stock options granted prior to 2006, the value is calculated on a grant-by-grant basis by multiplying the number of unvested options granted by the difference between the exercise price for such option and the closing price of our common stock on December 29, 2006. The amount reported under Non-qualified Pension reflects the non-vested lump sum value of the SERP Restoration Benefit as of September 30, 2006. Mr. Syron’s employment agreement provides for payment of the non-vested SERP Restoration Benefit under this termination event. Mr. Syron also is entitled through December 31, 2008 to continue to participate in health and related welfare plans in which he participated prior to termination at a cost to him that is equal to the cost required to be incurred by an active senior executive under the terms of the applicable plan. The amount reflected under Post-termination Health Care reflects Freddie Mac’s cost of continued participation in our health care plans for twenty four months.

- (4) The amount reported under Annual Bonus reflects a \$1,320,000 target bonus attributable to 2006. The amount reported under Equity Awards reflects the value of all outstanding RSUs, which vest immediately upon such termination, and the value of all unvested stock options, which become exercisable immediately upon such termination. For RSUs, the value is calculated on a grant-by-grant basis by multiplying the number of unvested RSUs by the closing price of our common stock on December 29, 2006. For stock options, the value is calculated on a grant-by-grant basis by multiplying the number of unvested options granted by the difference between the exercise price for such option and the closing price of our common stock on December 29, 2006. The amount reported under Non-qualified Pension reflects the non-vested SERP Restoration Benefit as of September 30, 2006, which is payable under a disability event. The amount reported under Deferred Compensation Payouts reflects the non-vested SERP Make-Up Contribution as of December 31, 2006, which is payable upon a disability event. Mr. Syron is not eligible for the non-vested SERP Restoration Benefit or the non-vested Make-Up Contribution in the event of death. The amount reported under Life Insurance Proceeds reflects the life insurance policies we provide Mr. Syron with benefits totaling \$10,000,000. As of December 31, 2006, the benefit to Mr. Syron's beneficiaries was \$9,693,520, \$6,000,000 of which is Term-Life and \$3,693,520 of which is Endorsement Split Dollar. We are the owner of the Endorsement Split Dollar Policy until the scheduled termination date, which is December 31, 2008 (the "Scheduled Termination Date"). As of December 31, 2006, in the event of death prior to the Scheduled Termination Date, the remaining \$306,480 would be payable to us. The amount reported under Disability Benefit reflects the amount due to Mr. Syron in the event of disability from December 31, 2006 through the Scheduled Termination Date. An additional \$240,000 would be paid annually under the group long-term disability plan should Mr. Syron be approved for long-term disability.
- (5) This termination event represents a Change in Control in which Mr. Syron does not voluntarily terminate his employment for Good Reason and he is not involuntarily terminated without Cause. If Mr. Syron terminated his employment for Good Reason or he is involuntarily terminated without Cause in connection with the Change in Control, he would receive the amounts reported under the column "Voluntary For Good Reason Resignation or Involuntary Without Cause Termination" in lieu of this amount.
- The amount reported under Equity Awards reflects \$8,800,000 in cash for the unvested long term equity awards granted in 2006; the value of all unvested RSUs granted prior to 2006, which vest immediately upon such termination; and the value of all unvested options granted prior to 2006, which become exercisable immediately upon such termination. For information on the calculation of the value of these RSUs and options, see Note (3) above.
- (6) The June 1, 2006 agreement provides that any termination benefit that may be paid to Mr. Syron pursuant to the terms of his December 6, 2003 employment agreement will be based on the 120% bonus target in Mr. Syron's December 6, 2003 employment agreement and not the 240% bonus target in the June 1, 2006 agreement.
- (7) The amount reflected under Death or Disability includes both Life Insurance Proceeds and Disability Benefits. The Total amount will change based on the actual event. For a death event, the Total amount will exclude the amount reflected under Disability Benefits. For a disability event, the Total amount will exclude the amount reflected under Life Insurance Proceeds.

A June 1, 2006 agreement increasing Mr. Syron's annual bonus target attributable to performance during 2006 from 120% to 240% of his base salary and a March 3, 2007 agreement applying the 240% bonus target agreed to in the June 1, 2006 agreement to performance during 2007, provide that the 240% target shall not be used to calculate any termination of employment benefit that may be paid to him pursuant to the terms of his December 6, 2003 employment agreement. The March 3, 2007 agreement also reduces Mr. Syron's 2007 annual equity grant from \$8,800,000 (the amount agreed upon in his December 6, 2003 employment agreement) to \$8,600,000. The March 3, 2007 agreement further provides that the increase in Mr. Syron's bonus target for 2007 and the reduction of his 2007 annual equity grant will not be used to calculate any termination benefit that may be paid pursuant to the terms of his December 6, 2003 agreement.

Change in Control

Upon a "change in control," any equity award granted to Mr. Syron at least 12 months prior to the change in control will immediately vest. Vested RSUs will be paid out immediately and vested

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stock 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.

Termination Due to Death or Disability

In the event of a termination of his employment prior to December 31, 2008 due to disability or death, we will pay Mr. Syron or his beneficiaries 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 RSUs awarded to Mr. Syron will immediately vest and be paid out and all stock options granted will become immediately exercisable. The stock 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.

Termination for Good Reason or Without Cause

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, 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 RSUs awarded to Mr. Syron at least 12 months prior to the termination date will immediately vest and be paid out, and all stock options granted to Mr. Syron at least 12 months prior to the termination date will become immediately exercisable. All such stock 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.

Termination for Cause

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.

Termination Following the Scheduled Termination Date

In the event that Mr. Syron terminates his employment following December 31, 2008 due to retirement (and at the time of such termination of Mr. Syron's employment we could not have terminated him for cause), all RSUs awarded to Mr. Syron will immediately vest, but will settle pursuant to the vesting schedule set forth in the grant agreements. All stock options granted to Mr. Syron will become immediately exercisable and will remain outstanding until the expiration date of the options.

Eugene M. McQuade

The following table describes the potential payments as of December 31, 2006 upon termination or a change in control of Freddie Mac for Eugene M. McQuade, our President and Chief Operating Officer.

Benefits and Payments Upon Termination	Voluntary Without Good Reason Resignation ⁽¹⁾⁽²⁾	Involuntary For Cause Termination ⁽¹⁾⁽³⁾	Voluntary For Good Reason Resignation or Involuntary Without Cause Termination ⁽²⁾⁽⁴⁾	Death or Disability ⁽⁵⁾	Change in Control (Without Termination) ⁽⁶⁾
Compensation:					
Base Salary	—	—	\$ 900,000	—	—
Annual Bonus ⁽⁷⁾	—	—	1,800,000	\$ 900,000	—
Equity Awards	—	—	11,234,120	11,489,884	\$11,234,120
Repayment to Freddie Mac	\$ (443,836)	\$ (443,836)	—	—	—
Benefits:					
Non-qualified Pension	—	—	287,170	287,170	—
Deferred Compensation Payouts	—	—	—	3,738	—
Post-termination Health Care	—	—	10,183	—	—
Life Insurance Proceeds	—	—	—	7,000,000	—
Disability Benefits	—	—	—	390,000	—
Total	\$ (443,836)	\$ (443,836)	\$14,231,473	\$20,070,792 ⁽⁸⁾	\$11,234,120

- (1) The amount reported under Repayment to Freddie Mac reflects the prorated repayment of Mr. McQuade's initial cash sign-on bonus of \$2,000,000, which Mr. McQuade is required to repay us if he leaves during the initial three year term of his employment agreement.
- (2) A June 1, 2006 agreement with Mr. McQuade that increased his annual bonus target attributable to performance during 2006 from 100% to 180% of his base salary provides that for subsequent performance years the payment of an annual bonus pursuant to the 100% target specified in his August 3, 2004 agreement will not constitute "Good Reason" for him to terminate his employment with us.
- (3) Mr. McQuade may be considered for a bonus attributable to 2006 under this termination event, at the discretion of the CHRC.

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- (4) The amount reported under Base Salary reflects an annualized base salary of \$900,000. The amount reported under Annual Bonus reflects a \$900,000 target bonus attributable to each of 2006 and 2007. The amount reported under Equity Awards reflects \$6,000,000 in cash for unvested long-term equity awards granted in 2006; the value of all unvested RSUs granted prior to 2006, which vest immediately; and the value of unvested stock options granted prior to 2006, which become exercisable immediately upon such termination. For information on the calculation of the value of these RSUs and stock options, see Note (3) to Mr. Syron's table. The amount reported under Non-qualified Pension reflects the non-vested lump sum value of the SERP Restoration Benefit as of September 30, 2006. Mr. McQuade's employment agreement stipulates payment of the non-vested SERP Restoration Benefit under this termination event. Mr. McQuade is entitled through December 31, 2007 to continue to participate in health and related welfare plans in which he participated prior to termination at a cost to him that is equal to the cost required to be incurred by an active senior executive under the terms of the applicable plan. The amount reflected under Post-termination Health Care reflects Freddie Mac's cost of continued participation in our health care plans for twelve months.
- (5) The amount reported under Annual Bonus reflects a \$900,000 target bonus attributable to 2006. The amount reported under Equity Awards reflects the value of all outstanding RSUs, which vest immediately, and the value of all outstanding options, which become exercisable immediately upon such termination. For information on the calculation of the value of the RSUs and stock options, see Note (4) to Mr. Syron's table. The amount reported under Non-qualified Pension reflects the non-vested SERP Restoration Benefit as of September 30, 2006, which is payable under a disability event. The amount reported under Deferred Compensation Payouts reflects the non-vested SERP Make-Up Contribution as of December 31, 2006, which is payable upon a disability event. Mr. McQuade is not eligible for the non-vested SERP Restoration Benefit or the non-vested SERP Make-Up Contribution in the event of death. The amount reported under Life Insurance Proceeds reflects life insurance policies we provide Mr. McQuade totaling \$7,000,000 to be paid to his beneficiaries in the event of his death. The amount under Disability Benefits reflects the annual amount due to Mr. McQuade in the event of his disability, which equates to \$390,000. An additional \$240,000 would be paid annually under the group long-term disability plan should Mr. McQuade be approved for long-term disability.
- (6) This termination event represents a Change in Control in which Mr. McQuade does not voluntarily terminate his employment for Good Reason or he is not involuntarily terminated without Cause in connection with the Change in Control. If Mr. McQuade terminated his employment for Good Reason or he is involuntarily terminated without Cause in connection with the Change in Control, he would receive the amounts reported under the column "Voluntary For Good Reason Resignation or Involuntary Without Cause Termination" in lieu of this amount. The amount reported under Equity Awards reflects \$6,000,000 in cash for unvested long-term equity awards granted in 2006; the value of all unvested RSUs granted prior to 2006, which vest immediately; and the value of unvested stock options granted prior to 2006, which become exercisable immediately upon such termination. For information on the calculation of the value of these RSUs and stock options, see Note (3) to Mr. Syron's table.
- (7) The June 1, 2006 agreement provides that any termination benefit that may be paid to Mr. McQuade pursuant to the terms of his August 3, 2004 employment agreement will be based on the 100% bonus target in Mr. McQuade's August 3, 2004 employment agreement and not the 180% bonus target in the June 1, 2006 agreement.
- (8) The amount reflected under Death or Disability includes both Life Insurance Proceeds and Disability Benefits. The Total amount will change based on the actual event. For a death event, the Total amount will exclude the amount under Disability Benefits. For a disability event, the Total amount reflected will exclude the amount under Life Insurance Proceeds.

Upon a change in control, the benefits afforded to Mr. McQuade are the same as set forth in Mr. Syron's employment 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 (as defined in his August 3, 2004 employment agreement). 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:

- 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 the 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 RSUs 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 stock 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.

A June 1, 2006 agreement increasing Mr. McQuade’s annual bonus target attributable to performance during 2006 from 100% to 180% of his base salary, and a March 3, 2007 agreement applying the 180% bonus target agreed to in the June 1, 2006 agreement to 2007, provide that the 180% target shall not be used to calculate any termination of employment benefit that may be paid to him pursuant to the terms of his August 3, 2004 employment agreement. The March 3, 2007 agreement reduces Mr. McQuade’s 2007 annual equity grant from \$6,000,000 (the amount agreed upon in his August 3, 2004 employment agreement) to \$5,725,000. The March 3, 2007 agreement further provides that the increase in Mr. McQuade’s bonus target for 2007 and the reduction of his 2007 annual equity grant shall not be used to calculate any termination benefit that may be paid pursuant to the terms of his August 3, 2004 agreement.

If Mr. McQuade resigns because he is not appointed to succeed Mr. Syron as Chief Executive Officer by September 1, 2007 or he otherwise resigns for good reason during 2007 because Mr. Syron ceases to be Chief Executive Officer and someone other than Mr. McQuade is appointed as his successor (other than an interim Chief Executive Officer), 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 term of his 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.

Mr. McQuade is required to execute the same general release and waiver as Mr. Syron in order to receive these benefits. 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.

As noted above, we recently extended an offer to Mr. McQuade to succeed Mr. Syron as Chief Executive Officer. Mr. McQuade has informed us that he does not wish to accept this offer and that he has decided to leave Freddie Mac at the conclusion of his current employment agreement on September 1, 2007 to pursue a position guiding a more traditional financial institution. Mr. McQuade will continue as President and Chief Operating Officer of Freddie Mac until that date.

Anthony S. Pisel

The following table describes the potential payments as of December 31, 2006 upon termination for Anthony S. Pisel, our Executive Vice President and Chief Financial Officer.

Benefits and Payments Upon Termination	Voluntary Resignation ⁽¹⁾	Involuntary For Cause Termination ⁽¹⁾	Involuntary Termination Other Than For Cause ⁽²⁾	Death or Disability ⁽³⁾
Compensation:				
Base Salary	—	—	\$1,300,000	—
Annual Bonus	\$ 600,000	\$ 600,000	600,000	\$ 600,000
Equity Awards	—	—	5,000,000	5,360,026
Repayment to Freddie Mac	(2,500,000)	(2,500,000)	—	—
Total	\$(1,900,000)	\$(1,900,000)	\$6,900,000	\$5,960,026

- (1) The amount reported under Annual Bonus reflects a guaranteed bonus of \$600,000 attributable to performance in 2006. If Mr. Pisel terminates his employment with us for any reason or is terminated for cause before the second anniversary of his employment date, he is required to repay the full \$2,500,000 of his sign-on cash bonus which is reflected under Repayment to Freddie Mac.
- (2) The amount reported under Base Salary reflects two times annualized base salary of \$650,000; under Annual Bonus, reflects a guaranteed bonus of \$600,000 attributable to 2006; and under Equity Awards, reflects the one time sign-on grant which will be cancelled and in consideration of which we will pay Mr. Pisel \$5,000,000 in cash upon such termination.
- (3) The amount reported under Annual Bonus reflects a guaranteed bonus of \$600,000 attributable to 2006 and under Equity Awards reflects the value of all outstanding RSUs, which vest immediately upon such termination. For information on the calculation of the value of the RSUs and stock options, see Note (4) to Mr. Syron's table.

Mr. Pisel's October 14, 2006 employment agreement provides that, if, prior to the fourth anniversary of his employment date, we terminate Mr. Pisel's employment for any reason other than Cause, he will receive a lump sum cash payment equal to two times his annualized base salary in effect at the time of termination. This payment will be made in lieu of any payments under our otherwise applicable severance plan, policy or practice. In the event that Mr. Pisel's employment is terminated after the fourth anniversary of his employment date, he will be eligible to receive severance pay pursuant to the terms of our applicable severance plan or policy. If Mr. Pisel terminates his employment with us for any reason or is terminated for Cause before the second anniversary of his employment date, he is required to repay the full \$2,500,000 of his sign-on cash bonus. If we terminate Mr. Pisel's employment for any reason other than Cause between the first and fourth anniversaries of the date of grant, then the sign-on grant of 78,940 RSUs will vest and continue to settle pursuant to the vesting schedule set forth in the grant agreement. If we terminate Mr. Pisel's employment for any reason other than Cause before the first anniversary of the date of grant, then the sign-on grant of 78,940 RSUs will be cancelled and we will pay Mr. Pisel

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\$5,000,000 in cash. If Mr. Pisel terminates his employment with us for any reason or is terminated for Cause, then any unvested RSUs will be forfeited. Mr. Pisel is subject to non-competition and non-solicitation of employees restrictions for a period of one year following any termination of his employment.

Patricia L. Cook

The following table describes the potential payments as of December 31, 2006 upon termination for Patricia L. Cook, our Executive Vice President, Investments and Capital Markets.

Benefits and Payments Upon Termination	Voluntary Resignation or Involuntary For Gross Misconduct Termination	Involuntary Other Than For Gross Misconduct or Special Circumstance Termination ⁽¹⁾	Death or Disability ⁽²⁾	Special Circumstance Termination ⁽³⁾
Compensation:				
Base Salary	—	\$1,200,000	—	\$1,200,000
Equity Awards	—	—	\$4,686,598	2,766,431
Benefits:				
Non-qualified Pension	—	—	311,446	—
Deferred Compensation Payouts	—	—	1,661	—
Total	—	\$1,200,000	\$4,999,705	\$3,966,431

- (1) The amount reported for Base Salary reflects the sum of Ms. Cook's annualized base salary of \$600,000 pursuant to her employment agreement plus severance pay equal to Ms. Cook's annualized base salary of \$600,000 pursuant to our officer severance plan. Ms. Cook may be eligible to participate in the 2006 bonus program at the discretion of the Chief Executive Officer, Chief Operating Officer or Executive Vice President, Human Resources and Corporate Services. Any bonus paid under this program will be subject to CHRC approval.
- (2) The amount reported under Equity Awards reflects the value of all unvested RSUs, which will vest and will be settled immediately upon such termination, and the value of all unvested stock options, which become exercisable immediately upon such termination. The amount reported under Non-qualified Pension reflects the non-vested SERP Restoration Benefit as of September 30, 2006, which is payable under a disability event. The amount reported under Deferred Compensation Payouts reflects the non-vested SERP Make-Up Contribution as of December 31, 2006, which is payable upon a disability event. Ms. Cook is not eligible for the non-vested SERP Restoration Benefit or the non-vested Make-Up Contribution in the event of death.
- (3) The amount reported under Base Salary reflects the sum of Ms. Cook's annualized base salary of \$600,000 pursuant to her employment agreement plus severance pay equal to Ms. Cook's annualized base salary of \$600,000 pursuant to our officer severance plan. The amount reported under Equity Awards reflects the value of Ms. Cook's 2006 long-term equity awards as of December 31, 2006. For information on the calculation of the value of the RSUs and stock options, see Note (4) to Mr. Syron's table.

Pursuant to the long-term equity award agreement for awards made in 2006, Ms. Cook's termination would be classified as a "Special Circumstance Termination" if (a) her job were eliminated due to a reorganization or job relocation or if her employment were terminated due to a restructuring or other no fault displacement, as determined by the Chief Executive Officer, and (b) she had executed a written agreement containing non-competition, non-solicitation, and other covenants. Under this provision, long-term equity awards granted in 2006 will vest immediately and will be settled in accordance with the vesting schedule outlined in the award agreement as if termination had not occurred.

Ms. Cook's July 8, 2004 employment agreement, as amended by a letter agreement dated July 9, 2004 and action taken by the CHRC on May 6, 2005, provides that, 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, as this term may be modified in our sole discretion from time to time, 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 in the amount

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of \$600,000. 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 RSU grant, she forfeits all of the units.

Pursuant to the terms of a Restrictive Covenant Agreement between Ms. Cook and us, in the event that she is eligible for severance pay pursuant to the terms of our officer severance policy upon the termination of her employment, the amount she would receive is equal to her annualized base salary at the time of termination; provided, that she executed a general release and waiver that is satisfactory to us which may contain, in addition to a release of claims, provisions related to non-participation in others' claims against us, non-competition and non-solicitation provisions akin to Mr. Piszal's, and non-disparagement, continued cooperation and treatment of confidential information and such other provisions as we deem appropriate.

Joseph A. Smialowski

The following table describes the potential payments as of December 31, 2006 upon termination for Joseph A. Smialowski, our Executive Vice President, Operations and Technology.

Benefits and Payments Upon Termination	Voluntary Resignation or For Gross Misconduct Termination	Involuntary Other Than For Gross Misconduct or Special Circumstance Termination ⁽¹⁾	Death or Disability ⁽²⁾	Special Circumstance Termination ⁽³⁾
Compensation:				
Base Salary	—	\$550,000	—	\$ 550,000
Equity Awards	—	—	\$3,668,148	2,609,190
Benefits:				
Non-qualified Pension	—	—	154,500	—
Deferred Compensation Payouts	—	—	900	—
Total	—	\$550,000	\$3,823,548	\$3,159,190

- (1) The amount reported under Base Salary reflects severance pay equal to Mr. Smialowski's annualized base salary of \$550,000 pursuant to our officer severance plan. Mr. Smialowski may be eligible to participate in the 2006 bonus program at the discretion of the Chief Executive Officer, Chief Operating Officer or Executive Vice President, Human Resources and Corporate Services. Any bonus paid under this program will be subject to CHRC approval.
- (2) The amount reported under Equity Awards reflects the value of all unvested RSUs, which vest immediately upon such termination, and the value of all unvested stock options, which become exercisable immediately upon such termination. For information on the calculation of the value of the RSUs and stock options, see Note (4) to Mr. Syron's table. The amount reported under Non-qualified Pension reflects the non-vested SERP Restoration Benefit as of September 30, 2006, which is payable under a disability event. The amount reported under Deferred Compensation Payouts reflects the non-vested SERP Make-Up Contribution as of December 31, 2006, which is payable upon a disability event. Mr. Smialowski is not eligible for the non-vested SERP Restoration Benefit or the non-vested Make-Up Contribution in the event of death.
- (3) The term "Special Circumstance Termination" has the same meaning as for Ms. Cook (see Note (3) to Ms. Cook's table). The amount reported under Base Salary reflects severance pay equal to Mr. Smialowski's annualized base salary of \$550,000 pursuant to our officer severance plan. The amount reported under Equity Awards reflects the value of Mr. Smialowski's 2006 long-term equity awards as of December 31, 2006.

Pursuant to the terms of a Restrictive Covenant Agreement between Mr. Smialowski and us, in the event that he was eligible for severance pay pursuant to the terms of our officer severance policy, the amount he would receive is equal to his annualized base salary at the time of termination; provided, that he executes a general release and waiver that is satisfactory to us which may contain, in addition to a release of claims, provisions related to non-participation in others' claims against us, non-competition, non-solicitation, non-disparagement, continued cooperation, treatment of confidential information and such other provisions as we deem appropriate. If

Mr. Smialowski's employment with us terminates for any reason (other than disability or death) prior to the lapse of restrictions on his RSU grants, he forfeits all of the units.

Martin F. Baumann

Mr. Baumann resigned his position as Executive Vice President, Finance and Chief Financial Officer effective March 21, 2006, and entered into a separation agreement with us dated March 21, 2006, which superceded his prior employment agreements and retention agreements with us. For information on Mr. Baumann's termination benefits, see "Employment and Separation Agreements — *Martin F. Baumann*" below.

Employment and Separation Agreements

The employment and separation agreements described below for Mr. Syron, Mr. McQuade, Mr. Piszal, Ms. Cook, Mr. Smialowski and Mr. Baumann are available on Freddie Mac's website at www.freddie.mac.com/governance. For information on the termination provisions in Mr. Syron's, Mr. McQuade's, Mr. Piszal's, Ms. Cook's and Mr. Smialowski's employment agreements, as well as certain compensation agreements we entered into with Messrs. Syron and McQuade on June 1, 2006 and March 3, 2007, see "Potential Payments Upon Termination or Change in Control" above.

We entered into employment agreements with each of the named executive officers when they first joined us. All of our named executive officers, with the exception of Mr. Smialowski, are parties to currently effective agreements. Mr. Smialowski's agreement only governed his compensation in 2005. Some agreements contain minimum guarantees with respect to base pay, bonus, and long-term equity awards, as well as special provisions applicable upon termination. The CHRC and management considered the executive protections (such as guaranteed bonuses and special termination benefits) provided by each of these agreements necessary in order to achieve our goal of recruiting and retaining exceptional leaders and executive officers during a time of transition.

Messrs. Syron's, McQuade's and Piszal's base salary, minimum bonus opportunities, and long-term equity award opportunities are set by the terms of their employment agreements. Ms. Cook's base salary is set by the terms of her employment agreement. Mr. Baumann's release and separation arrangement was entered into on March 21, 2006.

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 (a) a December 6, 2003 employment agreement, as supplemented by a December 12, 2003 agreement that continues in effect until the earlier of December 31, 2008 or the occurrence of an event of termination, (b) a June 1, 2006 compensation agreement and (c) a March 3, 2007 compensation agreement. The June 1, 2006 agreement superceded the provisions of Mr. Syron's employment agreement that pertain to his cash bonus target for performance during 2006. The March 3, 2007 agreement supercedes the provisions of Mr. Syron's employment agreement that pertain to his cash bonus target for performance during 2007 and to his 2007 annual equity award.

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During the term of Mr. Syron's agreement, Mr. Syron receives an annual minimum base salary of \$1,100,000, which amount may be increased in the discretion of the CHRC. The agreement also provides that he has the opportunity to earn an annual cash bonus targeted at 120% of his base salary, subject to a maximum payment of 200% of that target.

Subject to modifications to Mr. Syron's employment agreement described above, Mr. Syron is entitled to receive 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 RSUs and the rest is in the form of stock options. The CHRC may in its discretion award a higher percentage of RSUs. Under the agreement, all of the RSUs will vest on the fifth anniversary of the grant date, and the stock 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 RSUs or stock options or provide for an accelerated vesting schedule.

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, except that Mr. Syron is not eligible to participate in our officer severance plan or policy.

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

Eugene M. McQuade

We entered into an August 3, 2004 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. A June 1, 2006 agreement supercedes the provision of Mr. McQuade's employment agreement that pertains to his cash bonus target for performance during 2006. A March 3, 2007 agreement supersedes the provision of Mr. McQuade's employment agreement that pertains to his cash bonus target for performance during 2007 and to his 2007 annual equity award.

Mr. McQuade's agreement is similar to Mr. Syron's employment agreements, with the following differences:

- 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 during the initial three-year term of his agreement, he is required to repay us a pro-rata portion 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.
- 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 RSUs and the rest will be in the form of stock options. The CHRC may in its discretion award a higher percentage of RSUs. The RSUs 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.
- 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, except that Mr. McQuade is not eligible to participate in our officer severance plan or policy; 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 Mr. McQuade's 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 RSUs or stock options or provide for an accelerated vesting schedule.

Mr. McQuade also is subject to non-competition and non-solicitation restrictions similar to those of Mr. Syron for periods of two years and one year, respectively, following the termination of his employment with us.

Anthony S. Pizel

Mr. Pizel joined us as our Executive Vice President and Chief Financial Officer on November 13, 2006. Under the terms of a letter agreement dated October 14, 2006, Mr. Pizel receives an annualized base salary of \$650,000 and the opportunity to earn annual bonuses and long-term equity awards. Under the terms of the agreement, Mr. Pizel received a one-time sign-on bonus in the amount of \$7,500,000, composed of \$2,500,000 in cash and \$5,000,000 in the form of RSUs. The number of RSUs subject to the sign-on award is 78,940, which vest in four equal annual installments beginning on December 7, 2007. The agreement also provides Mr. Pizel with an opportunity to earn an annual cash bonus targeted at \$1,007,500, with guaranteed minimum annual bonuses for 2006 and 2007 of \$600,000 and \$1,007,500, respectively.

The agreement provides Mr. Pizel with an annual long-term equity award with a targeted aggregate value of \$3,000,000, with a guaranteed minimum equity award in 2007 of \$3,000,000. The long-term equity award vests in four equal annual installments beginning on the first anniversary of

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the grant date. The agreement also provides, in addition to our standard senior officer relocation benefit, that we will pay for four months temporary living at a local hotel or comparable living arrangement (in lieu of our standard temporary living relocation benefit); for reimbursement of up to \$40,000 in travel costs incurred by Mr. Pizel and his immediate family members prior to permanent relocation to the Washington, D.C. area; and for a cash payment of \$200,000 to cover relocation expenses not covered by our standard senior officer relocation benefit, as well as a tax gross-up to offset Mr. Pizel's personal tax liability associated with the cash payment.

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 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 also has the opportunity to earn an annual long-term equity award that has no maximum award restriction.

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 received an initial annualized base salary of \$500,000, which was increased in 2006 to \$550,000, and the opportunity to earn short-term and long-term performance-based awards.

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, among other matters, the following termination benefits:

- 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 us on an as-needed basis until December 31, 2008 ("Availability Period"), for no more than 15 days per calendar quarter without his consent.
- 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 RSUs 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 RSUs granted in 2005 as part of the annual equity award.
- With respect to RSUs granted in 2003 and 2004 and 75% of the RSUs granted in 2005, continued settlement through December 31, 2008 in accordance with their terms.

Mr. Baumann also has agreed to non-competition, non-solicitation, non-disparagement and cooperation covenants that apply during the Availability Period. Mr. Baumann will forfeit any remaining payments and benefits, and promptly return to us any payments or benefits provided under the separation agreement in the event that he materially breaches his obligations under the agreement pertaining to consultation (as described above), general release of claims, non-competition, non-solicitation, cooperation, non-disparagement and treatment of our confidential business information.

PROPOSAL 2: RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS

As provided in its charter, the Audit Committee (rather than the full Board) selects our independent auditors, reviews the scope of the annual audit and pre-approves all audit and non-audit services permitted under applicable law 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 fiscal 2007. You are requested to ratify the Audit Committee's appointment of PricewaterhouseCoopers. 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 fiscal 2007. 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 2006.

	2006	2005
Audit Fees ⁽²⁾	\$45,075,574	\$45,971,130
Audit-Related Fees ⁽³⁾	8,898,000	3,243,470
Tax Fees ⁽⁴⁾	—	17,955
All Other Fees ⁽⁵⁾	—	46,680
Total	\$53,973,574	\$49,279,235

- (1) These fees represent amounts billed within the designated year and include reimbursable expenses of \$3,442,574 and \$5,777,805 for 2006 and 2005 respectively.
- (2) Audit fees include fees billed by PricewaterhouseCoopers in connection with the audits of our annual consolidated financial statements. The audit fees during 2006 include fees and expenses related to the 2005 (\$26,428,000) and 2006 (\$18,547,574) audits and preferred stock comfort letters (\$100,000). In addition to the amounts shown above, approximately \$15.4 million of fees and reimbursable expenses were billed in 2007 for the 2006 audit. 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. Audit fees of \$37,400 and \$29,400 in 2006 and 2005, respectively, related to the Freddie Mac Foundation are excluded because these fees are incurred and paid separately by the Freddie Mac Foundation.
- (3) 2006 audit-related fees principally include fees and expenses related to internal control design reviews (\$6,377,000), agreed upon procedures associated with Freddie Mac-sponsored securitization transactions (\$2,353,000), agreed upon procedures with respect to Freddie Mac's option-adjusted spread fair value disclosure (\$150,000) and Comperio subscription services (\$18,000). 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).
- (4) Tax fees in 2005 include fees for providing periodic updates on tax matters and certain advisory services. These payments were eliminated in 2006.
- (5) All other fees were zero for 2006 as Comperio, an online library for financial reporting and assurance literature, was included in audit-related services, reflecting the primary purpose and use of the subscription. All other fees in 2005 include the subscription renewal for Comperio and certain other PricewaterhouseCoopers publications and surveys.

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 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, 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 such approval 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 audit-related services performed in 2006. At the direction of the Audit Committee, PricewaterhouseCoopers did not provide any non-audit services to us in 2006.

We recommend that you vote *for* the ratification of the selection of PricewaterhouseCoopers as our independent auditors for 2007.

PROPOSAL 3: APPROVAL OF AMENDMENT AND RESTATEMENT OF THE 1995 DIRECTORS' STOCK COMPENSATION PLAN

General

You are being asked to approve the amendment and restatement of the Federal Home Loan Mortgage Corporation 1995 Directors' Stock Compensation Plan at the annual meeting. Our Board approved this amendment and restatement of the Directors' Plan on March 3, 2007, subject to approval of our stockholders.

In 1995, stockholders initially approved the Directors' Plan, reserving 2.4 million shares for equity awards for non-employee directors. Stockholders approved an amendment and restatement of the Directors' Plan in 1998, which did not increase the number of shares reserved. By its terms, the Directors' Plan will expire at the time of our annual meeting of stockholders in 2008. The proposed amendment and restatement of the Directors' Plan would extend its effectiveness until 2017. Stockholders are not being asked to approve any increase in the number of shares reserved and available under the Directors' Plan.

The Board believes that the Directors' Plan has been and will continue to be a valuable means by which we can attract and retain highly qualified persons to serve as non-employee directors. Recent corporate governance reforms in the United States have underscored the fact that having qualified and diligent independent directors is essential for the long-term success of a company. Our on-going governance reforms have imposed increased responsibilities on our non-employee directors, including greater demands on members serving on Board committees. The Directors' Plan has been designed in a flexible manner, to give the Board and the CHRC an opportunity to determine the appropriate type, amounts and terms of equity awards, in order to provide reasonable compensation for service by our non-employee directors, and to align the interests of our non-employee directors with the interests of our stockholders.

Key features of and other significant historical information regarding the Directors' Plan include:

- There has not been any increase in the number of shares authorized for awards under the Directors' Plan since its adoption;
- No more than 40% of the Directors' Plan shares are available for full-value awards, such as restricted stock and RSUs;
- No stock options will be granted with an exercise price less than 100% of the fair market value of Freddie Mac's common stock on the date of grant;
- Fair market value is based upon the closing sale price per share of Freddie Mac's common stock on the NYSE;
- Without stockholder approval, stock options may not be repriced, which includes canceling and replacing an option with a new option having a lower exercise price;
- Shares tendered or withheld to pay the exercise price of an option will not be available again for grant, and shares will not be withheld to cover taxes;
- Dilution, or the sum of shares underlying outstanding awards plus those remaining available for new grants under all of our equity compensation plans, expressed as a percentage of our

Proposal 3: 1995 Directors' Stock Compensation Plan

outstanding shares at December 31, 2006 was 3.04% (dilution excludes shares issuable under our Employee Stock Purchase Plan and vested shares that have been electively deferred by employees and directors); and

- The number of shares underlying awards granted in a given year under our equity compensation plans divided by the number of our outstanding shares at year-end has averaged 0.30% for each of the last three years.

Reasons for Stockholder Approval

We seek stockholder approval of the amendment and restatement of the Directors' Plan in order to satisfy requirements of the NYSE, and to meet the requirements of the current terms of the Directors' Plan. Historically, we have granted equity awards only under plans approved by our stockholders.

Accounting Treatment of the Directors' Plan

In accounting for stock-based compensation, we apply SFAS 123(R), which provides a method by which the fair value of awards granted under the Directors' Plan, including stock options, can be calculated and reflected as an expense in our financial statements.

Restriction on Repricing

Without stockholder approval, we will not amend or replace previously granted options in a transaction that constitutes a "repricing." For this purpose, "repricing" means lowering the exercise price of an option after it is granted; canceling an option at a time when its exercise price or grant price exceeds the fair market value of the underlying stock, in exchange for another option, restricted stock or other award, other equity, cash or other property; any other action that is treated as a repricing under generally accepted accounting principles; or any other action that has the same effect. An adjustment to an option resulting from a stock split, spinoff or other extraordinary corporate transaction does not constitute a repricing.

Description of the Directors' Plan

The following is a brief description of the material terms and features of the Directors' Plan. This description is qualified in its entirety by reference to the full text of the Directors' Plan, a copy of which is attached to this Proxy Statement as Appendix A.

Shares Available Under the Directors' Plan. As stated above, adoption of this proposal would not change the number of shares available for awards under the Directors' Plan. Rather, it would extend the term of the Directors' Plan for nine additional years.

At December 31, 2006, 1,504,225 shares remained available under the Directors' Plan. There are 282,526 shares that will be issued upon exercise of outstanding options and settlement of outstanding RSUs and deferred stock. The Directors' Plan limits the number of shares that may be delivered in connection with awards of restricted stock and RSUs to a maximum of 40% of the shares reserved under the Directors' Plan. At December 31, 2006, 799,111 shares remained available under the Directors' Plan for restricted stock and RSU awards. As discussed below, the number of shares of common stock reserved and available under the Directors' Plan is subject to adjustment in the event of stock splits, stock dividends, and other extraordinary events.

Proposal 3: 1995 Directors' Stock Compensation Plan

Shares count against the Directors' Plan limits when delivered to participants in connection with an award and thereafter when all restrictions have lapsed. Thus, shares remain available for new awards if an award expires or is forfeited or otherwise terminated without delivery of shares to the participant. Upon exercise of an option, the gross number of shares subject to the portion of the option exercised will be deemed to have been delivered and therefore will count against the shares reserved under the Directors' Plan. The Directors' Plan does not permit the withholding of shares to cover the participant's taxes, so there is no "recapture" of shares relating to such tax withholding. Shares delivered under the Directors' Plan may be either authorized but previously unissued shares, treasury shares, or shares acquired in market transactions on behalf of the participants.

Information on the total number of shares available under our existing equity compensation plans and unissued shares deliverable under outstanding awards as of the end of the last fiscal year is presented below under the caption "Securities Authorized for Issuance Under Equity Compensation Plans." The information covers plans for employees as well as those for non-employee directors. Based on our equity award plans in effect and outstanding awards at December 31, 2006, the total number of shares subject to outstanding awards and available for future awards under the Directors' Plan and other current equity compensation plans, but excluding the Employee Stock Purchase Plan, or ESPP, is as follows:

Shares subject to outstanding awards	8,256,500
Shares available for future equity awards (<i>Note: this proposal does not add shares to any plan</i>)	<u>12,423,163</u>
Total shares	<u>20,679,663</u>
Percentage of outstanding shares*	3.13%*

* Outstanding shares (the denominator in this calculation) includes all common stock outstanding at December 31, 2006 and does not include issuance of unissued shares reserved for outstanding or future awards under the current equity compensation plans.

On April 18, 2007, the last reported sale price of our common stock in consolidated trading of NYSE-listed securities was \$64.36 per share.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table provides information about our common stock that may be issued upon the exercise of options, warrants and rights under our existing equity compensation plans at December 31, 2006. Our stockholders have approved the ESPP, the 2004 Employee Plan, the 1995 Employee Plan and the Directors' Plan.

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by stockholders	8,309,398 ⁽¹⁾	\$41.52 ⁽²⁾	18,797,747 ⁽³⁾
Equity compensation plans not approved by stockholders . . .	None	N/A	None

(1) Includes 2,404,575 restricted stock units issued under the Directors' Plan, the 2004 Employee Plan and 1995 Employee Plan and options to purchase up to 52,898 shares under the ESPP, which are issuable in connection with the offering period ended on January 31, 2007.

(2) For the purpose of calculating this amount, RSUs are assigned an exercise price of zero.

(3) Consists of 10,918,938 shares, 6,374,584 shares and 1,504,225 shares available for issuance under the 2004 Employee Plan, the ESPP and the Directors' Plan, respectively.

Eligibility. Awards may be granted under the Directors' Plan only to our non-employee directors. If the nominees for election as director named in this proxy statement are reelected, 11 directors would qualify as non-employee directors eligible to participate in the Directors' Plan.

Administration. Under the Directors' Plan, the Board and the CHRC each have administrative authority. The Board establishes policies as to the type of awards — options, restricted stock, or RSUs — to be granted to non-employee directors, the amount and timing of such awards, and other award terms not specifically set out in the Directors' Plan. The CHRC is authorized to perform all other administrative functions under the Directors' Plan, including specifying award terms not specified in the Directors' Plan or by the Board, adopting award agreements and Directors' Plan regulations, interpreting the provisions of the Directors' Plan, and making recommendations regarding award policies to the Board. The Board may itself perform any function of the CHRC in connection with the administration of the Directors' Plan. Nothing in the Directors' Plan precludes the Board or the CHRC from authorizing payment of other compensation to directors outside of the Directors' Plan. The Directors' Plan provides that directors and others acting on behalf of the Board or the CHRC shall not be personally liable, and shall be fully indemnified, in connection with any action, determination, or interpretation taken or made in good faith under the Directors' Plan.

Stock Options. The Directors' Plan authorizes the grant of stock options to non-employee directors. As stated above, the Board and the CHRC will determine the amount and timing of option grants, the times at which options will become exercisable and the terms under which options will be forfeited upon termination of a director's service. Options will be non-qualified stock options, will have an exercise price equal to 100% of the fair market value of the underlying common stock at the date of grant and a maximum term of ten years, and will not include rights to dividend equivalents. A director may pay the exercise price of an option in cash, by surrendering previously acquired shares of common stock or by directing us to withhold shares from the option shares deliverable upon exercise to cover the exercise price. Our current policy regarding compensation of non-employee directors, discussed above under the caption "Board Compensation," does not provide for grants of stock options.

Restricted Stock and RSUs. The Directors' Plan authorizes the Board to grant restricted stock and RSUs to non-employee directors. As stated above, the Board and the CHRC will determine the amount and timing of grants of restricted stock or RSUs, as well as the times at which such awards will vest, the terms under which such awards will be forfeited upon termination of a director's service, and, in the case of RSUs, the times at which such awards may be settled.

Proposal 3: 1995 Directors' Stock Compensation Plan

Restricted stock is an award of shares, issued in the name of the director, which are subject to a risk of forfeiture and nontransferable for a specified vesting period. Although such shares are issued shortly after grant, we deliver them to the director only upon vesting. RSUs represent a contractual right to receive one share of common stock at a specified future date for each RSU, if the vesting conditions are met. An RSU is subject to a risk of forfeiture and nontransferable for a specified period, but delivery of a share in settlement of the RSU may be deferred to a date after the lapse of the risk of forfeiture and restriction on transferability. Dividends are payable on outstanding restricted stock, and dividend equivalents are credited on outstanding RSUs in the form of additional RSUs. Cash dividends on restricted stock are nonforfeitable, and non-cash dividends are forfeitable to the same extent as the underlying restricted stock. The Board specifies the forfeiture terms, if any, with respect to dividend equivalents on RSUs. Directors have voting rights with respect to outstanding restricted stock, but not with respect to RSUs. Our current policy provides for annual grants of RSUs, as discussed above under “Board Compensation.”

Election to Receive Fees in the Form of Stock or Deferred Stock. The Directors’ Plan also permits a non-employee director to elect to receive fees otherwise payable in cash in the form of common stock or deferred stock. The director may make such election for up to 100% of the fees otherwise payable to him or her, including annual retainer fees, fees for service on a Board committee, and fees for service as chairman of a Board committee. See “Board Compensation.” If a director elects to receive fees in the form of common stock, we will issue to the director, or to an account established on behalf of the director, a number of shares having an aggregate fair market value equal to the fees that otherwise would have been payable at that date. Similarly, if a director elects to receive fees in the form of deferred stock, we will credit the director’s deferral account with deferred stock (valued the same way as issuance of actual shares would have been), each share of which represents a contractual right to receive one share of common stock at a specified future date. The Board or the CHRC may determine the terms applicable to deferred stock and the deferral accounts, including the terms of dividend equivalents to be credited on deferred stock (which may include mandatory or elective reinvestment in additional deferred stock). Common stock and deferred stock acquired under this elective feature are at all times non-forfeitable.

Other Terms of Awards. Awards granted under the Directors’ Plan generally may not be pledged or otherwise encumbered and are not transferable except by will or by the laws of descent and distribution, or to a designated beneficiary upon the participant’s death, except that the CHRC may permit transfers for estate-planning purposes, other than transfers for value. The CHRC may require or permit participants to defer the settlement of all or part of an award in accordance with such terms and conditions as the CHRC may establish, including payment or crediting of interest or dividend equivalents on any deferred amounts, but subject to compliance with requirements of Internal Revenue Code Section 409A. Awards under the Directors’ Plan generally will be granted without a requirement that the participant pay consideration in the form of cash or property for the grant (as distinguished from the exercise of the award).

Adjustments Upon Certain Events. We will generally adjust the number and kind of shares issued or reserved for issuance under the Directors’ Plan or under outstanding awards in the event a share dividend or split, reorganization, recapitalization, merger, spin-off, extraordinary dividend or other similar corporate transaction or event affects the common stock.

Amendment and Termination of the Directors’ Plan. The CHRC may suspend, discontinue, or terminate, and, in limited circumstances, amend or alter, the Directors’ Plan without stockholder

approval. Generally, amendments to the Directors' Plan require stockholder approval under NYSE rules, our bylaws and other applicable laws or regulations. Even when not required by our bylaws or applicable laws or regulations, the CHRC may, in its discretion, submit other amendments to stockholders for approval. Board approval is required for any amendment that requires stockholder approval or exceeds the authority of the CHRC under its charter and other corporate governance documents. Stockholder approval is not, however, required for all possible amendments that might increase the cost of the Directors' Plan. Outstanding awards may be amended, but the CHRC cannot modify or waive award terms that would be mandatory if it were then granting a new award. In addition, for awards that are intended to be settled in common stock according to their written terms, cash settlement should be rare and only in response to circumstances that are unique, outside of the participant's control, and perceived to result in a hardship to the participant. Unless otherwise determined by the CHRC, such cash settlements must receive prior approval by our Chief Financial Officer.

If the amendment and restatement of the Directors' Plan is approved by stockholders, awards may be granted under the Directors' Plan until the time of our Annual Meeting of Stockholders in 2017, but not thereafter. Unless earlier terminated by the Board, the Directors' Plan will terminate thereafter at such time that we have no further rights or obligations with respect to any outstanding award.

Federal Income Tax Consequences

We believe that under current law the following federal income tax consequences generally would arise with respect to awards under the Directors' Plan.

The grant of an option will create no federal income tax consequences for the participant or Freddie Mac. Upon exercising an option, the participant generally must recognize ordinary income equal to the difference between the exercise price and the fair market value of the freely transferable or non-forfeitable shares acquired on the date of exercise. A disposition of the option shares generally will result in short-term or long-term capital gain or loss measured by the difference between the sale price and the participant's tax "basis" in such shares. The tax "basis" normally is the exercise price plus any amount he or she recognized as ordinary income upon the exercise of the option.

Awards other than options that result in a transfer to the participant of shares generally will be structured under the Directors' Plan to meet applicable requirements under Internal Revenue Code Section 409A, which regulates deferred compensation. If no restriction on transferability or substantial risk of forfeiture applies to shares distributed to a participant, the participant generally must recognize ordinary income equal to the fair market value of the shares actually received. Thus, for example, if an award of RSUs has vested but the receipt of shares has been validly deferred, the participant should not become subject to income tax until the time at which shares are actually distributed.

On the other hand, if a restriction on transferability and substantial risk of forfeiture applies to shares actually distributed to a participant under an award (such as, for example, a grant of restricted stock), the participant generally must recognize ordinary income equal to the fair market value of the transferred amounts at the earliest time either the transferability restriction or the risk of forfeiture lapses. A participant may elect to be taxed at the time of grant of restricted stock or other property rather than upon lapse of restrictions on transferability or the risk of forfeiture, but if

the participant subsequently forfeits such shares or property he or she would not be entitled to any tax deduction, including as a capital loss, for the value of the shares or property on which he or she previously paid tax.

We normally can claim a tax deduction equal to the amount recognized as ordinary income by a participant in connection with an award, but no tax deduction relating to a participant's capital gains.

Any award that is deemed to be a deferral arrangement (excluding certain exempted short-term deferrals) will be subject to Internal Revenue Code Section 409A. Participant elections to defer compensation under such awards and as to the timing of distributions relating to such awards must meet the requirements under Section 409A in order for income taxation to be deferred upon vesting of the award and tax penalties avoided by the participant.

The foregoing provides only a general description of the application of federal income tax laws to certain awards under the Directors' Plan. This discussion is intended for the information of stockholders considering how to vote at the annual meeting and not as tax guidance to participants, as the tax consequences may vary with the types of awards made, the identity of the recipient and other circumstances. Different tax rules may apply, including in the case of variations in transactions that are permitted under the Directors' Plan (such as payment of the exercise price of an option by surrender of previously acquired shares). The summary does not address the effects of other federal taxes (such as Social Security and Medicare taxes) or taxes imposed under state, local or foreign tax laws.

New Plan Benefits Under the Directors' Plan

Because future awards under the Directors' Plan will be granted in accordance with policies that will be set from time to time by the Board, the type, number, recipients, and other terms of such awards cannot be determined at this time. We describe our current compensation policy for Directors above under the caption "Board Compensation." Under this policy, we expect that, at the 2007 Annual Meeting, 11 non-employee directors will each be granted RSUs having an aggregate grant-date fair market value of \$120,000. These grants will not be affected by the outcome of the stockholder vote on this proposal to amend and restate the Directors' Plan. If stockholders decline to approve this proposal, no further awards could be granted under the Directors' Plan after our Annual Meeting of Stockholders in 2008.

Vote Required for Approval

Approval of the amendment and restatement of the Directors' Plan will require the affirmative vote of a majority of the votes cast on the proposal at the annual meeting.

The Board considers the amendment and restatement of the Directors' Plan to be in the best interests of Freddie Mac and its stockholders and therefore recommends that stockholders vote to approve the amended and restated Directors' Plan at the annual meeting.

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 on those matters in accordance with their best judgment.

AVAILABILITY OF ANNUAL REPORT

Our Annual Report, which contains audited consolidated financial statements for 2006 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 486
8200 Jones Branch 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 we complete voluntary registration with the SEC, our directors and executive officers are not subject to these requirements. However, our 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 required for Section 16(a) reports. Based solely on a review of such reports, we believe that during 2006, our 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 and the press release, 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 2008 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, including a written consent from the nominee to being named in the proxy statement and to serve if elected. 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 declare the nomination defective and it 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 brokers and nominees who hold shares in their names for their reasonable out-of-pocket expenses to furnish proxy materials to the beneficial owners of such shares.

By Order of the Board of Directors,



Robert E. Bostrom

Executive Vice President, General Counsel and Corporate Secretary

May 7, 2007

Other Matters

**FEDERAL HOME LOAN MORTGAGE CORPORATION
1995 DIRECTORS' STOCK COMPENSATION PLAN**

**Effective May 2, 1995
As Amended and Restated June 8, 2007**

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**FEDERAL HOME LOAN MORTGAGE CORPORATION
1995 DIRECTORS' STOCK COMPENSATION PLAN
As Amended and Restated June 8, 2007**

**ARTICLE I
Establishment of the Plan**

1.1 *Purposes.* The purposes of this 1995 Directors' Stock Compensation Plan (the "Plan") of the Federal Home Loan Mortgage Corporation (the "Corporation") are to advance the interests of the Corporation and its stockholders by providing a means to attract and retain highly-qualified persons who are not employees of the Corporation to serve as Directors, to provide reasonable compensation for service to the Corporation by such Directors, and to promote ownership by such Directors of a greater proprietary interest in the Corporation, thereby aligning such Directors' interests more closely with the interests of stockholders of the Corporation.

1.2 *Effective Date of Original Plan and Amendment and Restatement of Plan.* This Plan became effective May 2, 1995. This amendment and restatement of the Plan shall become effective when approved by the Corporation's stockholders as set forth in Section 10.8.

1.3 *Plan Name.* The name of the Plan is the Federal Home Loan Mortgage Corporation 1995 Directors' Stock Compensation Plan.

**ARTICLE II
Definitions**

2.1 *Award.* Any Option, Restricted Stock, Restricted Stock Unit, or right to receive shares of Common Stock or Deferred Stock pursuant to a Stock Election, or any combination thereof, granted under the Plan.

2.2 *Award Document.* Any written or electronic agreement, contract, notice, or other instrument or document evidencing an Award. The use of an "electronic record" and an "electronic signature" in connection with any Award Document shall be governed by the federal Electronic Signatures in Global and National Commerce Act of 2000 (E-SIGN) or the Uniform Electronic Transactions Act (UETA) as enacted by the Commonwealth of Virginia, as applicable. The terms "electronic records" and "electronic signature" shall have the meanings ascribed to such terms in E-SIGN or the Virginia UETA, as applicable.

2.3 *Beneficiary.* The person(s) or trust(s) which have been designated by a Participant in his or her most recent beneficiary designation filed with the Committee to receive the benefits in connection with an Award upon such Participant's death, or to whom or to which an Award or rights relating thereto are transferred if and to the extent permitted under Section 6.2. If, upon a Participant's death, there is no designated Beneficiary or surviving designated Beneficiary, then the term Beneficiary means the person(s) or trust(s) entitled by will or laws of descent and distribution to receive such benefits.

2.4 *Board.* The Board of Directors of the Corporation.

2.5 *Code.* The Internal Revenue Code of 1986, as amended from time to time.

2.6 *Committee.* The Compensation and Human Resources Committee of the Board, or such other Board committee as may be designated by the Board to administer the Plan. No member of the Committee who is a Participant shall participate in any determination relating solely or primarily to his or her own Award. In addition, in any case in which the Board exercises any

authority granted to the Committee under the Plan, each reference to “Committee” shall be deemed to mean the Board, unless the context otherwise requires.

2.7 *Common Stock.* The Common Stock, \$0.21 par value, of the Corporation or such other common stock as may be substituted or resubstituted for Common Stock pursuant to an adjustment under Section 4.3.

2.8 *Compensation.* The retainer and meeting fees and any other fees paid to a Director for services as such, including for service as a member of a committee of the Board.

2.9 *Corporation.* The Federal Home Loan Mortgage Corporation.

2.10 *Deferred Stock.* An Award, in lieu of other Compensation pursuant to a Stock Election under Article IX or as a result of Dividend Equivalents, which Award represents a generally nontransferable right to receive one share of Common Stock at a specified future date for each share of Deferred Stock awarded, together with a right to Dividend Equivalents and other rights, and subject to the terms and conditions set forth in Article IX.

2.11 *Disability.* A Participant’s termination of service as a Director of the Corporation due to injury or sickness which the Participant’s personal physician has certified to the Committee prevents the Participant from performing the material duties of a Director.

2.12 *Director.* A duly elected or appointed member of the Board who is not an employee of the Corporation or any subsidiary.

2.13 *Dividend Equivalents.* With respect to each Restricted Stock Unit and each share of Deferred Stock, a right either to receive payments equal to the dividends or distributions declared or paid on a share of Common Stock at the same time as those dividends or distributions are paid to holders of Common Stock, or to receive such amounts, at the time the Restricted Stock Unit or Deferred Stock is or would be otherwise settled, or to have such amounts credited to the Participant, at the time the dividends or distributions are paid to holders of Common Stock, in the form of additional Restricted Stock Units or Deferred Stock having a Fair Market Value, at the date such dividends or distributions are paid on Common Stock, equal to the amount of the dividends or distributions declared and paid on a share of Common Stock, subject to Section 9.4. Rights to Dividend Equivalents shall be non-forfeitable in all cases. The Committee shall determine the manner of payment or crediting of Dividend Equivalents at or before the grant date for any Award of Restricted Stock Units or Deferred Stock. No Dividend Equivalents will be credited or payable with respect to any Award other than Restricted Stock Units or Deferred Stock.

2.14 *Early Retirement.* A Director’s termination of membership on the Board (other than due to Disability, Retirement or death) and (a), for a Director appointed by the President of United States (“President”), upon (i) notification by the President (or designee) that the Director will not be reappointed or (ii) failure of the President to reappoint the Director, or notify the Corporation of his intention to reappoint the Director, within 120 days after the end of that Director’s term of office; (b), for all other Directors, after completing ten consecutive terms in office as a Director.

2.15 *Fair Market Value.* The closing sale price of a share of Common Stock reported for composite transactions in the New York Stock Exchange listed securities in print or electronically by The Wall Street Journal or by another recognized provider designated by the Committee for such date or, if no such prices are reported for such date, on the most recent trading day prior to such date for which such prices are reported; provided, however, that the Committee may, in good faith, establish alternative methods or procedures for determining Fair Market Value. Fair Market

Value of Restricted Stock, Restricted Stock Units, or Deferred Stock shall be based on the shares subject to such Award without regard to any risk of forfeiture or restriction on transferability applicable to such Award.

2.16 *Option.* An Award under Article VII representing a conditional right to purchase, upon the exercise of the right by the Participant or his or her Beneficiary, a specified number of shares of Common Stock at a fixed price during a specified period or periods, and subject to such other conditions as the Committee may specify.

2.17 *Participant.* A Director who has been granted an Award under the Plan.

2.18 *Plan.* This 1995 Directors' Stock Compensation Plan.

2.19 *Restricted Stock.* An Award under Article VIII pursuant to which a specified number of shares of Common Stock are granted to the Participant, subject to a specified risk of forfeiture and restriction on transferability until the expiration of a specified restricted period or periods, and subject to such other conditions as the Committee may specify.

2.20 *Restricted Stock Units.* An Award under Article VIII or as a result of Dividend Equivalents which represents a generally nontransferable right to receive one share of Common Stock at a specified future date for each Restricted Stock Unit awarded, together with a right to Dividend Equivalents and other rights, subject to a specified risk of forfeiture (except in the case of Restricted Stock Units resulting from Dividend Equivalents) until the expiration of a specified period or periods and other terms and conditions set forth in Article VIII, and subject to such other conditions as the Committee may specify.

2.21 *Retirement.* A stockholder-elected Director's termination of membership on the Board upon or after, and as a consequence of, attaining the Retirement Age.

2.22 *Retirement Age.* The retirement age which, under the Board retirement policy adopted by the Board of Directors (as such policy may be modified from time to time), is applicable to the affected stockholder-elected Director.

2.23 *Stock Election.* An election, made pursuant to Article IX, by an eligible Director, to receive Common Stock or Deferred Stock in payment of all or a portion of Compensation.

ARTICLE III Administration

3.1 *Authority of the Committee Generally.* The Plan shall be administered by the Committee, except insofar as administrative authority is expressly reserved to the Board. The Committee shall have full and final authority to take the following actions, in each case subject to and consistent with the provisions of the Plan:

(a) to recommend to the Board policies regarding the type or types of Awards to be granted to Directors for specified services, the time or times at which such Awards may be granted, the number of shares of Common Stock to be subject to each Award, and the material terms and conditions of such Awards not otherwise specified in the Plan, and to determine all other matters in connection with an Award not otherwise specified in the Plan or determined by the Board;

(b) to prescribe the form of each Award Document;

(c) to adopt, amend, suspend, waive, and rescind such rules and regulations as the Committee may deem necessary or advisable to administer the Plan, including rules that reflect the advice of counsel, promoting compliance with applicable laws and regulations;

(d) to correct any defect, fill any omission or reconcile any inconsistency in the Plan and to construe and interpret the Plan and any Award, rules and regulations, Award Document, or other instrument hereunder; and

(e) to make all other decisions and determinations as may be required under the terms of the Plan or as the Committee may deem necessary or advisable for the administration of the Plan.

3.2 *Authority of the Board.* In furtherance of the authority of the Board to establish policies providing for reasonable compensation to Directors and setting the form, timing, and other terms of such compensation, the Board shall have full and final authority to establish policies regarding the type or types of Awards to be granted under Articles VII and VIII to Directors for specified services, the time or times at which such Awards may be granted, the number of shares of Common Stock to be subject to each Award, and the material terms and conditions of Awards, in each case subject to and consistent with the provisions of the Plan. In addition, the Board may exercise any authority of the Committee under the Plan.

3.3 *Good Faith Reliance; Limitation on Liability.* Each member of the Committee or the Board shall be entitled to, in good faith, rely or act upon any report or other information furnished to him or her by any officer or other employee of the Corporation, the Corporation's independent public accountants, or any compensation consultant, legal counsel, or other professional retained by the Corporation or the Committee to assist in the administration of the Plan. No member of the Committee or Board, nor any officer or employee of the Corporation acting on behalf of the Committee or Board hereunder, shall be personally liable for any action, determination, or interpretation taken or made in good faith with respect to the Plan, and members of the Committee and Board and any officer or employee of the Corporation acting on behalf of the Committee or Board or members thereof shall, to the extent permitted by law, be fully indemnified and protected by the Corporation with respect to any such action, determination, or interpretation.

3.4 *Limitation on Repricing.* Other provisions of the Plan notwithstanding, without the prior approval of the Corporation's stockholders, the Committee will not amend or replace previously granted Options in a transaction that constitutes a "repricing." "Repricing" means: (a) lowering the exercise price of an Option after it is granted; (b) canceling an Option at a time when its exercise price exceeds the fair market value of the underlying stock, in exchange for another Option, Restricted Stock, other Award, other equity, or cash or other property, unless the cancellation and exchange occurs in connection with a merger, acquisition, spin-off or other similar corporate transaction; (c) any other action that is treated as a repricing under generally accepted accounting principles; or (d) any other action that has the same effect as those itemized in (a) – (c); provided, however, that any adjustment authorized by Section 4.3 shall under no circumstances be considered a "repricing."

ARTICLE IV

Common Stock Available Under the Plan; Adjustments

4.1 *Common Stock Available for Delivery.* Subject to adjustment as hereinafter provided, the total number of shares of Common Stock reserved and available for delivery in connection with Awards under the Plan shall be 2,400,000, which is the number of shares originally authorized under

the Plan at its effective date (adjusted for stock splits since the effective date); provided, however, that not more than 40% of the total number of shares reserved and available under the Plan shall be subject to Awards of Restricted Stock and Restricted Stock Units under Section 8.1 which become vested and nonforfeitable under Section 8.2. If all or any portion of any Award is forfeited, or otherwise is terminated without delivery of shares of Common Stock to the Participant, the shares to which such Award or portion thereof related shall again be available for Awards under the Plan. For this purpose, upon exercise of an Option, the gross number of shares subject to the portion of the Option so exercised shall be deemed to have been delivered upon exercise of the Award.

4.2 *Source of Common Stock.* Any shares of Common Stock delivered pursuant to an Award may consist, in whole or in part, of authorized but previously unissued shares, treasury shares, or shares acquired in market transactions on behalf of the Participants.

4.3 *Adjustments in Response to Corporate Events.* In the event that the Committee shall determine that any large and non-recurring dividend or other distribution (whether in the form of cash or other property), recapitalization, forward or reverse split, dividend of Common Stock, reorganization, merger, consolidation, spin-off, combination, repurchase or share exchange, rights offering, or other similar corporate transaction or event affects the Common Stock, then the Committee shall, in such manner as it may deem equitable, (i) adjust any or all of the number and kind of shares of Common Stock then authorized for delivery for Awards under Section 4.1 and the number and kind of shares of Common Stock to be subject to each automatic grant of Options under Article VII or Restricted Stock or Restricted Stock Units under Article VIII in accordance with any granting policy of the Board then in effect; and (ii) if an adjustment is necessary in order to prevent dilution or enlargement of the rights of Participants under the Plan, as determined by the Committee, adjust (A) the number and kind of shares of outstanding Restricted Stock or other outstanding Award in connection with which shares have been issued or delivered, (B) the number and kind of shares that may be issued or delivered in respect of other outstanding Awards, (C) the exercise price, grant price, or purchase price relating to any Award (or, if deemed appropriate, the Committee may make provision for a cash payment with respect to any outstanding Award), and (D) any other term relating to an Award; provided that any adjustment effecting any outstanding Award shall be made in accordance with Section 10.4(b). Unless otherwise determined by the Committee, in the event of a forward split of Common Stock or a dividend in the form of Common Stock, each adjustment specified in Section 4.3(i) and (ii) (A), (B) and (C) shall be effected automatically by multiplying the relevant pre-transaction number of shares by the sum of one plus the number of shares deliverable in respect of each outstanding share, and dividing the exercise price of each outstanding Option by that same sum. In furtherance of the foregoing, in the event of an “equity restructuring” as defined in FAS 123R which affects the Common Stock, a Participant shall have a legal right to an adjustment to the Participant’s Award which shall preserve without enlarging the value of the Award, with the manner of such adjustment to be determined by the Committee in its discretion, and subject to any limitation on this right set forth in the applicable Award Document. If at any date an insufficient number of shares are available for the grant of Awards hereunder, then all Awards to be made at that date shall be reduced proportionately by applying a fraction, the numerator of which shall be the number of shares remaining and the denominator of which shall be the number of shares necessary for the grant of full Awards hereunder.

ARTICLE V

Eligibility

5.1 *Persons Eligible.* Any Director of the Corporation is eligible to be granted Awards under the Plan.

5.2 *Rights to Awards.* A Participant or Director eligible to be a Participant shall be entitled to Awards under the Plan as expressly provided in and as authorized by the Board under the Plan.

ARTICLE VI

Terms of Awards

6.1 *General.* Awards shall be granted on the terms and conditions set forth herein and as specified by the Board and the Committee hereunder.

6.2 *Limitations on Transferability.* Awards and any other rights under the Plan shall not be transferable by a Participant except by will or the laws of descent and distribution (or to a designated Beneficiary in the event of a Participant's death) and, if exercisable, shall be exercisable during the lifetime of a Participant only by such Participant or his or her guardian or legal representative. No transfer by will or the laws of descent and distribution shall be effective to bind the Corporation unless the Corporation shall have been furnished with a copy of such will or other evidence as the Corporation may deem necessary to establish the validity of the transfer. Awards and other rights under the Plan may not be pledged, mortgaged, hypothecated, or otherwise encumbered, and shall not be subject to the claims of creditors. The foregoing notwithstanding, if and to the extent expressly permitted by the Committee, and subject to such terms and conditions as established by the Committee, such Awards and other rights may be transferred by a Participant to one or more Beneficiaries, and may be exercised by such Beneficiaries in accordance with the terms of such Award, but such transfers may be permitted only for estate-planning purposes and shall not be transfers for value.

6.3 *No Stockholder Rights.* No Award shall confer on any Participant any of the rights of a stockholder of the Corporation unless and until Common Stock is duly issued or transferred to the Participant in accordance with the terms of the Award or, in the case of an Option, at such time at or after the exercise of the Option as may be specified by the Committee in order to facilitate exercise procedures.

6.4 *Insider Trading Policies Apply.* A Participant's rights under any Award, including rights to exercise or receive settlement and rights to sell any Common Stock delivered in connection with an Award, are subject to the terms of the Corporation's Code of Conduct (or any successor thereof) and related policies on insider trading and may be restricted by those documents. Such restrictions currently include limitations on the times at which the Participant may engage in such transactions.

ARTICLE VII

Options

7.1 *Award.* Options shall be granted to Directors in accordance with policies established from time to time by the Board specifying the number of shares to be subject to each Option, the time or times at which such Options shall be granted, and other Award terms not inconsistent with this Article VII.

7.2 *Terms of Award.* Each Option granted to a Participant under the Plan shall be evidenced by an Award Document containing terms and conditions as follows:

(a) *Option Price.* The Option price per share shall be the Fair Market Value of the Common Stock at time of grant.

(b) *Option Term.* Each Option awarded under this Plan shall expire on the date which is ten years after the date of grant (or such lesser period as may be specified by the Board at the time of grant), or such earlier date as the Option may no longer be exercised and cannot, by its terms, thereafter become exercisable.

(c) *Exercise.* The Board may establish terms regarding the times at which Options shall become vested and exercisable.

(d) *Payment.* The purchase price of the shares to which an Option relates shall be paid to the Corporation either in cash, in Common Stock owned by the Participant, or by directing the Corporation to withhold from the shares deliverable upon exercise of the Option shares sufficient to pay the exercise price, or any combination of these exercise methods, or by any other exercise method as may be authorized by the Committee, except to the extent that the Committee may restrict any of these exercise methods (providing that at least one exercise method must remain permitted).

7.3 *Termination of Board Membership.* The Board may establish terms regarding the extent to which, upon or following termination of a Director's membership on the Board, including upon death, Disability, Retirement or Early Retirement, Options shall become vested and exercisable on an accelerated basis, Options shall cease to become vested and exercisable, or Options shall cease to be exercisable or shall be forfeited.

ARTICLE VIII

Restricted Stock and Restricted Stock Units

8.1 *Award.* Restricted Stock and Restricted Stock Units shall be granted to Directors in accordance with policies established from time to time by the Board specifying the number of shares of Restricted Stock or Restricted Stock Units to be granted, the time or times at which such Restricted Stock or Restricted Stock Units shall be granted, and other Award terms not inconsistent with this Article VIII.

8.2 *Vesting Schedule.* The Board may establish terms regarding the times at which Restricted Stock or Restricted Stock Units shall vest and become nonforfeitable, and the times at which Restricted Stock Units will be settled.

8.3 *Termination of Board Membership.* The Board may establish terms regarding the extent to which, upon or following termination of a Director's membership on the Board, including upon death, Disability, Retirement or Early Retirement, Restricted Stock and Restricted Stock Units shall become nonforfeitable on an accelerated basis, continue to vest or shall be forfeited.

8.4 *Other Terms of Restricted Stock.* The Board or Committee shall specify terms and conditions applicable to Restricted Stock, subject to and consistent with the terms of the Plan, including the following:

(a) *Non-Cash Dividends or Distributions on Restricted Stock.* Unless otherwise determined by the Board, any non-cash dividend or distribution on Restricted Stock, including shares of Common Stock distributed as a dividend on Restricted Stock or other securities or

property other than shares of Common Stock, shall remain subject to all restrictions and risk of forfeiture as applied to the shares of Restricted Stock with respect to which it or they were paid as a dividend or distribution. In the case of securities other than shares of Common Stock or in the case of other property, issued with respect to Restricted Stock, the Board may determine that such securities or other property may be held in an escrow account, whether such securities or property is issued by the Corporation or by another issuer, and such securities or other property and any cash or other proceeds thereof received by the escrow agent on account of a redemption or other transaction affecting such securities or other property shall be delivered out of escrow to a Participant or to the Corporation at the time of vesting or forfeiture of the related Restricted Stock. A Participant will be required to execute any instrument or document upon the reasonable request of the Corporation and deliver it to the Corporation, including for the purposes of enforcing any forfeiture of the Restricted Stock or other securities or property referred to in this Section 8.4(a) or the proceeds thereof, or otherwise to implement the provisions of this Plan or any applicable Award Document relating to Restricted Stock.

(b) *Stockholder Rights.* Except as otherwise provided herein, each Participant shall have all of the rights and privileges of a stockholder of the Corporation as to his or her Restricted Stock, including the right to receive any cash dividends and, subject to Section 8.4(a), other dividends declared with respect to such stock and the right to exercise voting rights.

(c) *Section 83(b) Elections.* A Participant who files an election with the Internal Revenue Service to include the Fair Market Value of any shares of Restricted Stock in gross income while such shares are subject to restrictions shall promptly furnish the Committee with a copy of such election. The Participant shall be responsible for paying the amount of any Federal, state, local, or other taxes required to be paid with respect to such election.

8.5 Other Terms of Restricted Stock Units. The Board or Committee shall specify terms and conditions applicable to Restricted Stock Units, subject to and consistent with the terms of the Plan, including the following:

(a) *Deferral Period and Settlement.* The Board or Committee shall specify periods of deferral and the time or times (including events) that shall give rise to settlement of Restricted Stock Units. Such deferral periods may expire at the same time or later than the time the risk of forfeiture of Restricted Stock Units lapses under Section 8.2 and terms of the applicable Award Document. Restricted Stock Units shall be settled solely by delivery of one share of Common Stock for each Restricted Stock Unit to be settled; provided, however, that reasonable provisions may be made to pay cash in lieu of issuance or delivery of any fractional shares.

(b) *Dividend Equivalents.* Dividend Equivalents shall be credited on previously credited Restricted Stock Units, on terms and conditions specified by the Board or Committee.

(c) *Accounts.* The Board or Committee may authorize the creation of bookkeeping accounts to reflect transactions and events affecting Restricted Stock Units.

ARTICLE IX

Stock Election

9.1 Election to Receive Stock. Any eligible Director who is entitled to receive Compensation may elect to receive all or a portion of such Compensation in the form of Common Stock, in lieu of

cash, or, if and to the extent authorized under Section 9.4, to defer receipt of such Compensation in the form of Deferred Stock, in accordance with this Article IX and subject to such terms and conditions as may be specified by the Board or Committee. A Director shall make such an election by executing a Stock Election, on or before such date as may be specified by the Board or Committee but not later than December 31 preceding the calendar year (the “Plan Year”) in which such Compensation would otherwise be payable in cash. If an eligible Director is not in office as of December 31 preceding a Plan Year, the Director may execute a Stock Election for such Plan Year not later than the earlier of the day before the date of the first meeting of the Board that such Director attends for such Plan Year or the date that is 30 days after the date the Director became eligible to participate in the Plan, provided that if the Director elects to receive Compensation in the form of Deferred Stock, the election shall apply only to Compensation for services to be performed after the election has been made. Such stock election shall be effective upon its receipt by the Corporation.

9.2 *Amount of Stock or Deferred Stock.* On each date that Compensation would otherwise be paid (the “Payment Date”), a Director who has made a Stock Election to receive Common Stock hereunder shall be entitled to receive a number of shares of Common Stock the Fair Market Value of which is equal to the amount of the Compensation which would have been paid to such Director had such Stock Election not been made, and, if and to the extent authorized under Section 9.4, a Director who has made a Stock Election to receive Deferred Stock hereunder shall be entitled to receive a number of shares of Deferred Stock equal to the number of shares of Common Stock the Fair Market Value of which is equal to the amount of the Compensation which would have been paid to such Director had such Stock Election not been made. The number of shares of Common Stock or Deferred Stock to be acquired by a Director pursuant to a Stock Election shall be determined by dividing the amount of Compensation subject to the Stock Election by the Fair Market Value as of the Payment Date.

9.3 *Receipt of Common Stock Pursuant to a Stock Election.* In the case of a Stock Election to receive shares of Common Stock in lieu of Compensation on a non-deferred basis, the following terms and conditions apply:

(a) *Source of Shares.* The shares of Common Stock issued pursuant to such a Stock Election may consist of authorized but previously unissued shares, treasury shares or shares acquired on the open market on the next business date following the Payment Date through the Corporation’s transfer agent, Computershare Limited, or any successor agent designated by the Committee to act under the provisions of this Plan.

(b) *Account.* A separate account will be maintained by an agent designated by the Corporation for each Participant and shares will be allocated to such account under this Section 9.3 as of the applicable Payment Date.

(c) *Stockholder Rights.* On each Payment Date, a Participant shall acquire all of the rights and privileges of a stockholder of the Corporation with respect to shares issued to him or her pursuant to such a Stock Election under the Plan as of such Payment Date, including the right to vote on any matter for which the record date for voting is on or after such Payment Date and the right to payment of a dividend the record date for which is on or after such Payment Date.

(d) *Delivery of Shares.* Shares of Common Stock acquired under this Section 9.3 shall be delivered to the Participant at such time and in such manner as the Corporation may reasonably determine. Unless otherwise permitted by the officers authorized to administer the Plan, shares delivered under this Section 9.3 shall be registered solely in the name of the

Participant and shall be delivered solely to the Participant (or, if deceased, to the Participant's Beneficiary). If Participant has ownership and control of the account specified in Section 9.3(b), delivery of shares will be governed by the terms of that account.

(e) *Fractional Shares.* A Participant (or, if deceased, the Participant's Beneficiary) shall be paid, in cash, an amount equal to the value of any fractional share credited to the Participant's account under this Section 9.3 quarterly or as otherwise determined by the head of Human Resources. For this purpose, the value of a fractional share shall be based upon the Fair Market Value of the Common Stock on the date of such request or the date of termination. Any fractional share for which such a payment is made shall be deemed to have been sold on such date. If the Participant has ownership and control of the account specified in Section 9.3(b), the treatment of any fractional shares will be governed by the terms of that account.

(f) *Participation in Dividend Reinvestment Plan.* A Participant may elect to reinvest dividends paid on the shares held in his or her account under this Section 9.3 in the purchase of additional shares of Common Stock pursuant to any dividend reinvestment plan offered by the Corporation to stockholders generally.

9.4 *Award of Deferred Stock Pursuant to a Stock Election.* The Board may authorize the award of Deferred Stock in lieu of Compensation, pursuant to the Stock Elections by Directors. In such case, the Board or Committee shall specify terms and conditions applicable to such Stock Elections and Deferred Stock, subject to and consistent with the terms of the Plan, including the following:

(a) *Deferral Period and Settlement.* The Director shall elect the periods of deferral and the time or times (including events) which shall give rise to settlement of Deferred Stock, provided that the alternatives that may be elected shall be specified by the Board or Committee and shall meet the requirements of Section 9.1 and 10.6. Deferred Stock shall be settled solely by delivery of one share of Common Stock for each share of Deferred Stock to be settled; provided, however, that reasonable provisions may be made to pay cash in lieu of issuance or delivery of any fractional shares.

(b) *Dividend Equivalents.* Unless otherwise determined by the Board or Committee, a Participant shall be credited with Dividend Equivalents on his or her Deferred Stock, which may be payable in cash, on a current or deferred basis, or by the crediting of additional Deferred Stock having a Fair Market Value equal to the value of such Dividend Equivalents, as specified by the Board or Committee.

(c) *Accounts.* The Board or Committee may authorize the creation of bookkeeping accounts to reflect crediting and other transactions and events affecting Deferred Stock.

ARTICLE X

General Provisions

10.1 *Consideration.* Options, Restricted Stock, and Restricted Stock Units will be granted under the Plan in order to obtain for the Corporation the benefit of the services of Participants and, except for such services and the payment of the exercise price of an Option, no other consideration shall be required in connection with such Awards. The consideration for Common Stock issued or delivered pursuant to a Participant's Stock Election or in settlement of Deferred Stock granted pursuant to a Participant's Stock Election will be the Participant's services during the period to which the Compensation paid in the form of Common Stock or Deferred Stock relates.

10.2 *Compliance With Laws and Obligations.* The Corporation shall not be obligated to issue or deliver Common Stock in connection with any Award or take any other action under the Plan in a transaction subject to any federal or state law, any requirement under any listing agreement between the Corporation and any national securities exchange or automated quotation system, or any other law, regulation, or contractual obligation of the Corporation, until the Corporation is satisfied that such laws, regulations, and other obligations of the Corporation have been complied with in full. Certificates representing shares of Common Stock delivered under the Plan will be subject to such stop transfer orders and other restrictions as may be applicable under such laws, regulations, and other obligations of the Corporation, including any requirement that a legend or legends be placed thereon. In addition, the Corporation may affix to any shares issued as Restricted Stock an appropriate legend reflecting the restrictions imposed under the Plan. The Corporation shall make best efforts to satisfy the compliance obligations relating to the Plan and Awards in order to avoid adverse effects on Participants under this Section 10.2.

10.3 *No Right to Continued Membership.* Neither the Plan nor any action taken hereunder shall be construed as (i) giving any Director the right to be retained as a member of the Board of the Corporation, or (ii) interfering in any way with the right of the Corporation to terminate any Director's membership at any time. Except as expressly provided in the Plan and an Award Document, neither the Plan nor any Award Document shall confer on any person other than the Corporation and the Participant any rights or remedies hereunder or thereunder.

10.4 *Changes to the Plan and Awards.*

(a) *Plan Amendments.* The Committee may, with prospective or retroactive effect, amend, alter, suspend, discontinue, or terminate the Plan without the consent of stockholders or Participants, except that any amendment shall be subject to the approval of the Corporation's stockholders at or before the first annual meeting of stockholders for which the record date falls on or after the date of such Committee action if such amendment is required under Section 303A.08 of the Listed Company Manual of the New York Stock Exchange or is otherwise subject to a requirement of stockholder approval under any applicable law or regulation, the rules of any stock exchange or automated quotation system on which the Common Stock may then be listed or quoted, or the Corporation's Bylaws. In addition, the Committee may otherwise, in its discretion, determine that any other such changes to the Plan also shall be subject to the approval of the Corporation's stockholders. The foregoing notwithstanding, without the consent of an affected Participant, except to the extent required by Section 10.2 hereof, no such action may materially impair the rights of such Participant under any Award theretofore granted. The foregoing notwithstanding, the Committee shall not adopt a material amendment to this Section or Section 4.1, or adopt an amendment that would be subject to stockholder approval under this Section or otherwise would exceed the authority of the Committee under its charter and other corporate governance documents of the Corporation, without the approval of the Board.

(b) *Changes to the Terms of Outstanding Awards.* The Committee may waive any conditions or rights under, or amend, alter, suspend, discontinue, or terminate, any Award previously granted and any Award Document relating thereto; provided, however, that, except to the extent required by Section 10.2 hereof, no such action may materially impair the rights of a Participant under such Award without the consent of the affected Participant, and provided further that, for Awards that are intended to be settled in Common Stock per their written terms, cash settlement should be rare and only in response to circumstances that are unique, outside of the Participant's control, and perceived to result in a hardship to the

Participant. Unless otherwise determined by the Committee, such cash settlements must receive prior approval of the Corporation's Chief Financial Officer. Modifications that are in substance cash settlements are subject to this same requirement. The foregoing notwithstanding, the Committee shall have no authority to waive or modify any Award term after the Award has been granted to the extent the waived or modified term would be inconsistent with Section 3.4 (or otherwise would not be within the discretion of the Committee if it were then granting a new Award).

10.5 *Governing Law.* The validity, construction, and effect of the Plan, any resolution or program implementing the Plan, any rules and regulations under the Plan, and any Award Document will be determined in accordance with the Federal Home Loan Mortgage Corporation Act of 1970, other federal laws regulating the Corporation, and other laws of the United States. This Plan and the respective rights and obligations of the Corporation and the Participants, except to the extent otherwise provided by Federal law, shall be construed under the laws of the Commonwealth of Virginia (without giving effect to principles of conflicts of laws). The validity, enforceability and effectiveness of any electronic records or electronic signatures used in connection with any Award Document shall be governed by E-SIGN or the Virginia UETA, as applicable.

10.6 *Certain Limitations on Awards to Ensure Compliance with Code Section 409A.*

(a) *409A Deferrals.* Other provisions of the Plan notwithstanding, the terms of any Award that constitutes a deferral of compensation for purposes of Code Section 409A (a "409A Deferral"), including any authority of the Corporation and rights of the Participant with respect to the 409A Award, shall be limited to those terms permitted under Section 409A, and any terms not permitted under Section 409A shall be automatically modified and limited to the extent necessary to conform with Section 409A. The following rules will apply to 409A Awards (and other Awards, as indicated):

(i) If a Participant is permitted to make a deferral election in connection with the 409A Deferral, including an election to defer Compensation, such election will be permitted only at times in compliance with Section 409A (including transition rules thereunder);

(ii) The Committee may, in its discretion, require or permit on an elective basis a change in the distribution terms applicable to 409A Awards, and any other Award that qualifies for the short-term deferral exemption under Section 409A, during 2006 and 2007 in accordance with, and to the fullest extent permitted by, Proposed Treasury Regulation § 1.409A (including Preamble § XI.C) and IRS Notice 2005-1, and at any time in accordance with Section 409A and regulations thereunder. The head of Human Resources of the Corporation is authorized to modify any such outstanding Awards to permit election of different deferral periods, provided that any such modifications may not otherwise increase the benefits to Participants or the costs of such Awards to the Corporation;

(iii) The Corporation shall have no authority to accelerate distributions relating to 409A Awards in excess of the authority permitted under Section 409A;

(iv) Any distribution of a 409A Award triggered by a Participant's termination of service and intended to qualify under Section 409A(a)(2)(A)(i) shall be made only at the time that the Participant has had a "separation from service" within the meaning of Section 409A(a)(2)(A)(i) (or earlier at such time, after a termination of service as a

Director, that there occurs another event triggering a distribution under the Plan or the applicable Award agreement in compliance with Section 409A), and any such distribution shall otherwise comply with 409A; and

(v) In the case of any distribution of a 409A Award, if the timing of such distribution is not otherwise specified in the Plan or an Award agreement or other governing document, the distribution shall be made not later than 75 days after the date at which the settlement of the Award is specified to occur.

(b) *Distributions Upon Vesting.* In the case of any Award providing for a distribution upon the lapse of a risk of forfeiture, if the timing of such distribution is not otherwise specified in the Plan or an Award Document or other governing document, the distribution shall be made not later than March 15 of the year following the year in which the risk of forfeiture lapsed.

(c) *Scope and Application of this Provision.* For purposes of this Section 10.6, references to a term or event (including any authority or right of the Corporation or a Participant) being “permitted” under Section 409A mean that the term or event will not cause the Participant to be deemed to be in constructive receipt of compensation relating to the 409A Award prior to the distribution of shares or cash or other property or to be liable for payment of interest or a tax penalty under Section 409A.

10.7 *Continued Service as an Employee.* If a Participant ceases serving as a Director and, immediately thereafter, is employed by the Corporation or any affiliate, then, solely for purposes of Sections 7.3 and 8.3 of the Plan, such Participant will not be deemed to have ceased service as a Director at that time, and his or her continued employment by the Corporation or any subsidiary will be deemed to be continued service as a Director; provided, however, that such former Director will not be eligible for additional Awards under the Plan.

10.8 *Plan Termination; Effect of Amendment and Restatement.* The amendment and restatement of the Plan shall be effective upon its approval by the stockholders of the Corporation by an affirmative vote that meets the requirements of the Corporation’s Bylaws and the Listed Company Manual of the New York Stock Exchange then in effect. Unless earlier terminated by action of the Board or Committee, the Plan will remain in effect until such time as no Common Stock remains available for delivery under the Plan and the Corporation has no further rights or obligations under the Plan with respect to outstanding Awards. No Awards shall be made under the Plan, including pursuant to Article IX, after the Corporation’s Annual Meeting of Stockholders in 2017. Any Award granted prior to the effectiveness of the Amendment and Restatement of the Plan on March 3, 2007 shall be governed by the terms of Articles VII and VIII of the Plan (as applicable) as in effect at the time such Award was granted.