

OFFERING CIRCULAR

**240,000,000 Shares  
Fixed-to-Floating Rate  
Non-Cumulative  
Perpetual Preferred Stock**



**Freddie Mac**

**Dividend Rate:**

From the issue date through  
December 31, 2012:

8.375% per annum

For the period beginning January 1, 2013:

Dividend Rate: The higher of (x) 3-Month  
LIBOR plus 4.16% per annum and (y) 7.875%  
per annum

**Payment Dates:**

Dividend Rate Reset Frequency: Quarterly  
March 31, June 30, September 30 and  
December 31, beginning March 31, 2008

**Optional Redemption:**

On December 31, 2012, and on each fifth  
anniversary thereafter

**Liquidation Preference:**

\$25 per share plus dividends for the then-current  
dividend period

**Issue Date:**

December 4, 2007

**Listing:**

New York Stock Exchange

An investment in the Preferred Stock involves risks. See *Risk Factors* beginning on page 9 of this Offering Circular, on page 10 of our Information Statement dated March 23, 2007 and on page 74 of our November 20, 2007 Information Statement Supplement (as defined herein). We are incorporating the latter two documents by reference in this Offering Circular.

**We alone are responsible for our obligations under and for making payments on the Preferred Stock. The Preferred Stock is not guaranteed by, and is not a debt or obligation of, the United States or any federal agency or instrumentality other than Freddie Mac.**

	<u>Initial Public Offering Price(1)</u>	<u>Underwriting Discount</u>	<u>Proceeds to Freddie Mac(1) (2)</u>
Per Share .....	\$25.00	\$0.375	\$24.625
Total .....	\$6,000,000,000	\$90,000,000	\$5,910,000,000

(1) Plus any accrued dividends from December 4, 2007.

(2) Before deducting estimated expenses of \$300,000.

*Joint Book-Running Managers*

**LEHMAN BROTHERS**

**GOLDMAN, SACHS & CO.**

*Senior Co-Lead Manager*

**BEAR, STEARNS & CO. INC.**

*Co-Managers*

BANC OF AMERICA SECURITIES LLC

CITI

CREDIT SUISSE

DEUTSCHE BANK SECURITIES

MORGAN STANLEY

UBS INVESTMENT BANK

**The date of this Offering Circular is November 29, 2007.**

In this Offering Circular, we refer to the Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock as the “**Preferred Stock**.”

**The Underwriters may engage in transactions that affect the price of the Preferred Stock, including stabilizing and short-covering transactions and the imposition of a penalty bid, in connection with the offering. For a description of these activities, see *Underwriting*.**

### ADDITIONAL INFORMATION

You should read this Offering Circular together with:

- the Certificate of Creation, Designation, Powers, Preferences, Rights, Privileges, Qualifications, Limitations, Restrictions, Terms and Conditions for the Preferred Stock (the “**Certificate of Designation**”), which will be in substantially the form attached as *Appendix A* to this Offering Circular;
- our Information Statement and Annual Report to Shareholders dated March 23, 2007 (the “**Information Statement**”);
- our Information Statement Supplements dated March 23, 2007, April 12, 2007, May 1, 2007, June 7, 2007, June 14, 2007 (two Information Statement Supplements for such date), July 19, 2007, July 25, 2007, August 30, 2007 (two Information Statement Supplements for such date), September 7, 2007, September 19, 2007, September 27, 2007, September 28, 2007, November 9, 2007, November 20, 2007 (two Information Statement Supplements for such date) and November 27, 2007 (collectively, the “**Information Statement Supplements**”); and
- our Proxy Statement dated May 7, 2007 (the “**Proxy Statement**”).

This Offering Circular incorporates the Information Statement, the Information Statement Supplements and the Proxy Statement by reference, which means that we are disclosing information to you by referring to them rather than by providing you with separate copies. The information contained in the Information Statement, Information Statement Supplements and Proxy Statement is considered part of this Offering Circular. We also publish periodic reports containing financial information and supplements to the Information Statement. You can obtain copies of any of these documents by contacting us at:

**Freddie Mac**  
**Investor Relations Department**  
**Mailstop 486**  
**8200 Jones Branch Drive**  
**McLean, Virginia 22102-3110**  
**Telephone: 703-903-3883 or 1-800-FREDDIE (800-373-3343)**  
**e-mail: [shareholder@freddiemac.com](mailto:shareholder@freddiemac.com)**

The Information Statement, Information Statement Supplements and Proxy Statement are also available on the “Investor Relations” page of our Internet Website (<http://www.freddiemac.com>). Although this information is available on our website, none of the other information on or hyperlinked from our website is incorporated by reference into this Offering Circular. You should rely only on the information included or specifically incorporated by reference in this Offering Circular in deciding whether to make an investment in the Preferred Stock. We have not authorized anyone to provide you with any different or additional information.

**Because of applicable securities law exemptions, we have not registered the Preferred Stock with any federal or state securities commission. No securities commission has reviewed this Offering Circular.**

**Dividends paid on the Preferred Stock have no exemption under U.S. federal law from U.S. federal, state or local taxation. For a discussion of relevant U.S. federal income tax considerations associated with an investment in the Preferred Stock, see *Certain U.S. Federal Income Tax Consequences*.**

**Some jurisdictions may by law restrict the distribution of this Offering Circular and the offer, sale and delivery of the Preferred Stock. Persons who receive this Offering Circular should know about and observe any such restrictions.**

**SUMMARY**

*This summary contains selected information about the Preferred Stock. You should refer to the remainder of this Offering Circular for further information.*

**Issuer** ..... Federal Home Loan Mortgage Corporation or “**Freddie Mac,**” a stockholder-owned government-sponsored enterprise.

**Securities Offered** ..... 240,000,000 shares of Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock with a \$25 per share liquidation preference.

**Dividends:**

*For the period from the issue date through December 31, 2012:*

**Fixed Dividend Rate** ..... 8.375% per annum. Dividends will accrue from but not including the issue date.

*For the period beginning January 1, 2013:*

The higher of (x) 3-month LIBOR plus 4.16% per annum and (y) 7.875% per annum. Dividends will accrue at such rate from and including January 1, 2013 and will reset quarterly. For information about how and when 3-month LIBOR will be determined, see *Description of the Preferred Stock — Dividends — Determination of 3-Month LIBOR.*

**Calculation Agent** ..... Freddie Mac

**Frequency** ..... We will pay non-cumulative dividends quarterly, when, as and if declared by our Board of Directors.

**Payment Dates** ..... We will pay dividends, if declared, on March 31, June 30, September 30 and December 31 of each year, or by the next business day, beginning March 31, 2008.

**Preferences** ..... The Preferred Stock will receive a preference over our common stock and any other junior stock as to dividends and distributions upon liquidation. The Preferred Stock will rank equally with our other currently outstanding series of preferred stock as to dividends and distributions upon liquidation.

**Maturity** ..... Perpetual.

**Optional Redemption** ..... The Preferred Stock is not redeemable prior to December 31, 2012. On December 31, 2012 and on each fifth anniversary thereafter, we will have the option to redeem the Preferred Stock, in whole or in part, at the price of \$25 per share plus the amount that would otherwise be payable as the dividend for the quarterly dividend period that ends on the redemption date, accrued through and including the redemption date, whether or not declared. We will give notice of optional redemption by mail to

holders of the Preferred Stock to be redeemed from 30 days to 60 days before the redemption date.

**Liquidation Rights** ..... If Freddie Mac is dissolved or liquidated, you will be entitled to receive, out of any assets available for distribution to our stockholders, up to \$25 per share of Preferred Stock plus the dividend for the then-current quarterly dividend period accrued through and including the liquidation payment date, whether or not declared.

**Voting Rights** ..... None, except in the case of specified changes in the terms of the Preferred Stock.

**Preemptive and Conversion Rights** ... None.

**Ratings** ..... We expect that the Preferred Stock will be rated Aa3 (negative) by Moody's Investors Service, Inc. ("Moody's"), AA- (negative) by Standard & Poor's Ratings Services, a division of The McGraw-Hill Companies, Inc. ("S&P"), and A+ by Fitch Ratings ("Fitch"). See *Ratings*.

**Use of Proceeds** ..... The capital raised from the sale of the Preferred Stock will be used to bolster our capital base in light of actual and anticipated losses necessitated by accounting requirements under generally accepted accounting principles ("GAAP") and help us meet the 30% surplus going forward. We expect to deploy such proceeds for the purchase of residential mortgages or mortgage-related securities (subject to regulatory constraints), for the financing of growth in our mortgage guarantee business and for other corporate purposes consistent with evolving business and market conditions. See *Regulatory Capital*.

**Transfer Agent, Dividend Disbursing**

**Agent and Registrar** ..... Computershare Trust Company, N.A.

**Exchange Listing** ..... The Preferred Stock has been approved for listing on the New York Stock Exchange (the "NYSE").

**CUSIP Number:** ..... 313400624

## FORWARD-LOOKING STATEMENTS

We regularly communicate information concerning our business activities to investors, securities analysts, the news media and others as part of our normal operations. Some of these communications, including this Offering Circular, include “forward-looking statements” pertaining to our current expectations and objectives for financial reporting, remediation efforts, future business plans, economic and market conditions, market share, credit losses, prepayments, results of operations and financial condition stated in conformity with GAAP and on a fair value basis, and market trends and developments. Forward-looking statements are often accompanied by, and identified with, terms such as “objective,” “expect,” “trend,” “assumptions,” “judgments,” “estimate,” “ultimate,” “believe,” “ability,” “models,” “outlook,” “initiatives,” and similar phrases. These statements are not historical facts, but rather represent our expectations based on current information, plans, judgments, assumptions, estimates and projections. Forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control. You should not unduly rely on our forward-looking statements, including those contained in this Offering Circular, the Information Statement or the Information Statement Supplements. All risks, uncertainties and other factors described in this Offering Circular, the Information Statement and the Information Statement Supplements should be considered in relying on any forward-looking statements. Actual results may differ materially from the expectations expressed in these and other forward-looking statements we make as a result of various factors, including, but not limited to, those factors described in the *Risk Factors* section of this Offering Circular and the comparably captioned sections in the Information Statement and the Information Statement Supplements incorporated by reference herein and:

- changes in applicable legislative or regulatory requirements, including regulation of the subprime or non-traditional mortgage product markets, enactment of government-sponsored enterprise (“GSE”) oversight legislation, changes to our charter, changes to affordable housing goals regulation, changes to regulatory capital requirements or the exercise or assertion of regulatory or administrative authority beyond historical practice;
- our ability to effectively identify, assess, evaluate, manage, mitigate or remediate control deficiencies and risks, including material weaknesses and significant deficiencies, in our internal control over financial reporting and disclosure controls and procedures;
- our ability to effectively implement our business strategies and manage the risks in our business, including our efforts to improve the supply and liquidity of, and demand for, our products;
- our ability to effectively identify and manage interest-rate and other market risks, including the levels and volatilities of interest rates, as well as the shape and slope of the yield curves;
- our ability to effectively identify and manage credit risk and/or changes to the credit environment;
- volatility of reported results due to changes in the fair value of certain instruments or assets;
- changes to legislative, regulatory or voluntary limits on the growth of any aspect of our business activities, including our retained portfolio;

- changes in our judgments, assumptions, forecasts or estimates regarding rates of growth in our business, spreads we expect to earn, required capital levels and the timing and impact of capital transactions;
- our ability to effectively manage and implement changes, developments or impacts of accounting or tax standards and interpretations or changes to our accounting policies or estimates;
- the availability of debt financing and equity capital in sufficient quantity and at attractive rates to support growth in our retained portfolio, to refinance maturing debt and to meet regulatory capital requirements;
- changes in pricing, valuation or other methodologies, models, assumptions, judgments, estimates and/or other measurement techniques or their respective reliability;
- changes in general regional, national or international economic, business or market conditions and competitive pressures, including consolidation of mortgage originators, employment rates and home price appreciation;
- changes in mortgage-to-debt option-adjusted spreads;
- the availability of options, interest-rate and currency swaps and other derivative financial instruments of the types and quantities and with acceptable counterparties needed for investment funding and risk management purposes;
- the rate of growth in total outstanding U.S. residential mortgage debt and the size of the U.S. residential mortgage market;
- preferences of originators in selling into the secondary market;
- borrower preferences for fixed-rate mortgages or adjustable-rate mortgages;
- changes to our underwriting and disclosure requirements or investment standards for mortgage-related products;
- investor preferences for mortgage loans and mortgage-related and debt securities compared to other investments;
- the ability of our financial, accounting, data processing and other operating systems or infrastructure and those of our vendors to process the complexity and volume of our transactions;
- incomplete or inaccurate information provided by customers and counterparties, or adverse changes in the financial condition of our customers and counterparties;
- the occurrence of a major natural or other disaster in geographic areas in which portions of our total mortgage portfolio are concentrated;
- other factors and assumptions described in the Information Statement, including in *Management's Discussion and Analysis of Financial Condition and Results of Operations* and the Information Statement Supplements;

- our assumptions and estimates regarding the foregoing and our ability to anticipate the foregoing factors and their impacts; and
- market reactions to the foregoing.

We undertake no obligation to update forward-looking statements we make to reflect events or circumstances after the date of this Offering Circular, or to reflect the occurrence of unanticipated events.

## FREDDIE MAC

Freddie Mac is a stockholder-owned company chartered by Congress in 1970 under the Federal Home Loan Mortgage Corporation Act (the “**Freddie Mac Act**”) to stabilize the nation’s residential mortgage markets and expand opportunities for homeownership and affordable rental housing.

Our mission is to provide liquidity, stability and affordability to the U.S. housing market. We fulfill our mission by purchasing residential mortgages and mortgage-related securities in the secondary mortgage market. We are one of the largest purchasers of mortgage loans in the U.S. We purchase mortgages and bundle them into mortgage-related securities that can be sold to investors. We can use the proceeds to purchase additional mortgages from primary market mortgage lenders, thus providing them with a continuous flow of funds. We also purchase mortgage loans and mortgage-related securities for our investments portfolio. We finance our purchases for our investments portfolio and manage associated interest-rate and other market risks primarily by issuing a variety of debt instruments in the capital markets.

Though we are chartered by Congress, our business is funded completely with private capital. We are responsible for making payments on our securities. Neither the U.S. government nor any other agency or instrumentality of the U.S. government is obligated to fund our mortgage purchase or financing activities or to guarantee our securities and other obligations.

Our mission is defined in our charter:

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

Our principal offices are located in McLean, Virginia. We have additional offices in Washington, D.C.; Reston, Virginia; Atlanta, Georgia; Chicago, Illinois; Dallas, Texas; New York, New York; and Woodland Hills, California.

## RISK FACTORS

*Prospective purchasers of the Preferred Stock should consider carefully the risk factors set forth below, in the Information Statement beginning on page 10, and in the November 20, 2007 Information Statement Supplement (as defined below) beginning on page 74, as well as all other information contained or incorporated by reference in this Offering Circular, in evaluating an investment in the Preferred Stock.*

### **Risks Related to Our Business**

#### **Market uncertainty and volatility may adversely affect our business, profitability and results of operations.**

The mortgage credit markets experienced difficult conditions and volatility during the first nine months of 2007 and these markets continue to experience rapid deterioration during the fourth quarter of 2007, with accompanying higher expected defaults. These deteriorating conditions in the mortgage market have resulted in a decrease in availability of corporate credit and liquidity within the mortgage industry and have caused disruptions to normal operations of major mortgage originators, including some of our largest customers. These conditions resulted in less liquidity, greater volatility, widening of credit spreads and a lack of price transparency. We operate in these markets and are subject to potential adverse effects on our results of operations and financial position due to our activities involving securities, mortgages, derivatives and other mortgage commitments with our customers. As we have previously announced, unless conditions in the credit markets improve significantly, our fair value returns will continue to be negative. Our expectations for the fourth quarter of 2007 are, as of this date, assuming that market conditions do not substantially change from our expectations and no changes in our accounting policies occur, commensurate with our results for the quarter ended September 30, 2007.

While it is difficult to predict how long these conditions will exist and how our markets or products will ultimately be affected, these factors could adversely impact our business and results of operations, as well as our ability to provide liquidity to the mortgage markets.

#### **Market and operational risks may adversely affect our capital management.**

Mortgage market conditions and volatility are also adversely affecting our capital, including our ability to meet the 30% mandatory target capital surplus directed by the Office of Federal Housing Enterprise Oversight (“OFHEO”). Factors that could adversely affect the adequacy of our capital for future periods include GAAP net losses; continued declines in home prices; increases in our credit and interest-rate risk profiles; adverse changes in interest-rate or implied volatility; adverse option-adjusted spread (“OAS”) changes; legislative or regulatory actions that increase capital requirements; or changes in accounting practices or standards.

As a result of the impact of these items on our GAAP net income and in order to meet the 30% mandatory target capital surplus and respond to regulatory concerns, as well as to have the flexibility to effectively manage our business, we have taken several actions including raising additional capital in this offering and reducing our fourth quarter common stock dividend by 50%. If these measures are not sufficient to help us meet the 30% mandatory target capital surplus, then we may consider additional measures in the future such as limiting growth or reducing the size of our

retained portfolio, slowing purchases into our credit guarantee portfolio, issuing additional preferred stock, issuing common stock and considering further reductions in our common stock dividends.

Our ability to execute any of these actions or their effectiveness may be limited and we might not be able to meet the 30% mandatory target capital surplus. If we are not able to meet the 30% mandatory target capital surplus, OFHEO may, among other things, seek to require us to (a) submit a plan for remediation or (b) implement other remedial steps. In addition, OFHEO has discretion to reduce our capital classification by one level if OFHEO determines that we are engaging in conduct OFHEO did not approve that could result in a rapid depletion of core capital or determines that the value of property subject to mortgage loans we hold or guarantee has decreased significantly. See *Regulation and Supervision — Office of Federal Housing Enterprise Oversight — Capital Standards* in our November 20, 2007 Information Statement Supplement relating to our financial report for the three and nine months ended September 30, 2007 (the “**November 20, 2007 Information Statement Supplement**”) and *Note 10: Regulatory Capital — Classification* to our consolidated financial statements in the Information Statement for information regarding additional potential actions OFHEO may seek to take against us.

#### **We continue to experience delays in our financial reporting.**

Since the restatement and revision of our financial results for 2000, 2001 and 2002, we have had to face many challenging and complex accounting and financial reporting issues, including ongoing controls remediation and systems re-engineering and development. We fell behind in our annual financial reporting for the years ended December 31, 2002, 2003, 2004 and 2005. We face continuing challenges because of the control deficiencies in our accounting infrastructure and the operational complexities of our business. Any of these events could have an adverse effect on the trading value of the Preferred Stock. For further information, see *Management’s Discussion and Analysis of Financial Condition and Results of Operations — Risk Management — Operational Risks — Internal Control over Financial Reporting* in the Information Statement and in the *Management’s Discussion and Analysis of Financial Condition and Results of Operations — Controls and Procedures* in the November 20, 2007 Information Statement Supplement.

#### **We have material weaknesses and other deficiencies in our internal controls.**

We have discovered, and may in the future discover, material weaknesses and significant deficiencies in our internal controls that require remediation. Because of the continued material weaknesses and significant deficiencies, our management determined that, as of December 31, 2006, our internal control over financial reporting was not effective. A number of factors may impede our efforts to remediate our material weaknesses and significant deficiencies, including: the complexity associated with the interdependent nature of the remediation activities; uncertainty regarding the quality and sustainability of newly established controls; and potentially ineffective compensating controls. Failure to effectively and timely implement the remediation plan we have undertaken to correct the identified deficiencies in our internal control over financial reporting could similarly adversely affect our business. A failure to establish and maintain an adequate control environment could result in a material error in our reported financial results, loss of market confidence in our reported results and additional delays in our financial reporting timeline. Any of these outcomes could have a material adverse effect on our business and on the trading price of our securities, and could result in additional regulatory measures. For further information, see *Management’s Discussion and Analysis of Financial Condition and Results of Operations — Risk Management —*

*Operational Risks — Internal Control over Financial Reporting* in the Information Statement and *Management’s Discussion and Analysis of Financial Condition and Results of Operations — Controls and Procedures* in the November 20, 2007 Information Statement Supplement.

Further, OFHEO could seek to require us to implement a remediation plan, hold additional capital or take other actions. Effective as of July 1, 2006, we voluntarily limited the growth of our retained portfolio to no more than 2.0% annually (and 0.5% quarterly on a cumulative basis) based on its carrying value as reported in our minimum capital report to OFHEO filed on July 28, 2006, which was \$710.3 billion. This voluntary, temporary growth limit was undertaken in response to a request from OFHEO. On September 19, 2007, OFHEO provided an interpretation regarding the calculation methodology of the voluntary temporary growth limit. The interpretation changed the measuring methodology for the growth limit from the value of our retained portfolio, as calculated in conformity with GAAP, to the unpaid principal balance (“UPB”) of the retained portfolio. Any net increase in delinquent loan balances in the retained portfolio after September 30, 2007 will not be counted for purposes of determining our compliance with the growth limit. According to OFHEO’s interpretation, the new portfolio limit for the third quarter of 2007 is \$735.0 billion UPB. For the fourth quarter of 2007, the quarterly growth limit of 0.5 percent is doubled to 1.0 percent, and the 2.0 percent per annum limit remains in place. Consequently, the quarterly growth limit would be \$742.4 billion as of December 31, 2007. Beginning October 1, 2007, quarterly compliance with the growth limit will be determined based on the cumulative average month-end portfolio balances beginning July 2007 (until it becomes and remains a 12-month moving average) compared to the applicable quarterly growth limit. For purposes of this calculation, OFHEO’s interpretation sets the beginning value for the month of July 2007 at \$725 billion.

**We may be unable to manage effectively all of the risks to which we are subject.**

Our business is exposed to operational risks, interest-rate and other market risks and credit risks. We are also exposed to other risks, such as those described in the *Risk Factors* sections of the Information Statement and the November 20, 2007 Information Statement Supplement, including reputation risk, legislation and regulatory risk and risks related to implementing our business strategies. As described in *Management’s Discussion and Analysis of Financial Condition and Results of Operations — Risk Management* in the Information Statement, and in *Management’s Discussion and Analysis of Financial Condition and Results of Operations — Controls and Procedures* in the November 20, 2007 Information Statement Supplement, we continue to face a number of significant operational risks, including material weaknesses and other significant deficiencies in our internal control over financial reporting. These operational risks may expose us to financial loss, may delay or interfere with our ability to return to and sustain timely financial reporting, or may result in other adverse consequences to our business and the trading value of our securities. Our retained portfolio activities expose us to interest-rate risk and other market risks arising primarily from the uncertainty as to when borrowers will repay the outstanding principal balance of mortgage loans and mortgage-related securities, known as prepayment risk, and the resulting potential mismatch in the timing of our receipt of cash flows on our assets versus the timing of our obligation to make payments on our liabilities. Our credit guarantee activities also expose us to interest-rate risk because changes in interest rates can cause fluctuations in the fair value of our existing credit guarantee portfolio. Our credit guarantee portfolio also is subject primarily to two types of credit risk — mortgage credit risk and institutional credit risk. Mortgage credit risk is the risk that a borrower will fail to make timely payments on a mortgage or security we own or guarantee.

Institutional credit risk is the risk that a counterparty that has entered into a business contract or arrangement with us will fail to meet its obligations. Furthermore, there is no assurance that we will be able to manage effectively any reductions in the credit quality of our retained portfolio due to deteriorating conditions in the mortgage and credit markets. For further information, see *Risk Factors* and *Management's Discussion and Analysis of Financial Condition and Results of Operations — Risk Management* in the Information Statement and *Management's Discussion and Analysis of Financial Condition and Results of Operations — Controls and Procedures* in the November 20, 2007 Information Statement Supplement.

**We depend on our institutional counterparties to provide services that are critical to our business and our results of operations or financial condition may be adversely affected if one or more of our institutional counterparties are unable to meet their obligations to us.**

We face the risk that one or more of the institutional counterparties that has entered into a business contract or arrangement with us may fail to meet its obligations. Our primary exposures to institutional counterparty risk are with:

- our mortgage loan insurers;
- mortgage seller/servicers;
- issuers, guarantors or third party providers of credit enhancements on non-Freddie Mac mortgage-related securities held in our retained portfolio;
- mortgage investors and originators;
- issuers, guarantors and insurers of investments held in our cash and investments portfolio; and
- derivatives counterparties.

In some cases, our business with institutional counterparties is concentrated. A significant failure by a major institutional counterparty could have a material adverse effect on our retained portfolio, cash and investments portfolio or credit guarantee activities. See *Note 15: Concentration of Credit and Other Risks* in the November 20, 2007 Information Statement Supplement for additional information. As of September 30, 2007, our ten largest mortgage seller/servicers represented approximately 78% of our single-family mortgage purchase volume. We are exposed to the risk that we could lose purchase volume to the extent these arrangements are terminated or modified or replaced from other lenders or if these lenders fail to comply with mortgage underwriting standards. We are also exposed to risk relating to the potential insolvency or non-performance of mortgage insurers that insure mortgages we purchase or guarantee. The top seven of our third-party mortgage insurers on which we rely for credit enhancements on our single-family, guaranteed mortgage portfolio accounted for approximately 99% of our overall coverage. As of November 22, 2007, the credit rating of Mortgage Guaranty Insurance Corporation (MGIC), the third party mortgage insurer that insures the largest portion of our overall coverage, was downgraded from “AA” to “AA-”. Some of our counterparties also may become subject to serious liquidity problems affecting, either temporarily or permanently, the viability of their business plans, which likely would adversely affect their ability to meet their obligations to us. The challenging market conditions have adversely affected and are expected to continue to adversely affect the liquidity and financial condition of a number of our counterparties, including some seller/servicers. Some of our

largest seller/servicers have experienced ratings downgrades and liquidity constraints. We have terminated our arrangements with certain mortgage seller/servicers during the first nine months of 2007 because of their failure to meet our eligibility requirements. Further terminations of our arrangements with mortgage sellers could adversely affect our purchase volume. A default by a counterparty with significant obligations to us could adversely affect our ability to conduct our operations efficiently and at cost-effective rates, which in turn could adversely affect our results of operations or our financial condition.

**We are subject to mortgage credit risk and increased credit costs related to these risks could adversely affect our financial condition and/or results of operations.**

We are exposed to mortgage credit risk within our total mortgage portfolio, which consists of mortgage loans, mortgage participation certificates, or PCs, Structured Securities and other mortgage guarantees we have issued in our guarantee business. Mortgage credit risk is the risk that a borrower will fail to make timely payments on a mortgage or security we own or guarantee. Factors that affect the level of our mortgage credit risk include the credit profile of the borrower, the features of the mortgage loan, the type of property securing the mortgage and local and regional economic conditions. Borrowers under the mortgage loans on our balance sheets and underlying our guarantees may fail to make required payments of principal and interest on those loans, exposing us to the risk of credit losses.

The proportion of higher risk mortgage loans that were originated in the market during the last four years increased significantly. We have increased our securitization volume of non-traditional mortgage products, such as interest-only loans as well as loans originated with lower documentation in the last two years in response to the prevalence of these products within the origination market. Total non-traditional mortgage products, including those designated as Alt-A and interest-only loans, made up approximately 33% and 24% of our single-family mortgage purchase volume in the nine months ended September 30, 2007 and 2006, respectively. Consequently, our increased purchases of these mortgages and issuances of guarantees on them expose us to greater credit risks. We expect to experience increased delinquencies and credit losses, which will likely reduce our earnings in future periods and could adversely affect our results of operations or financial condition.

**Changes in OAS could materially impact our fair value of net assets.**

OAS is an estimate of the yield spread between a given security and an agency debt yield curve. The OAS between the mortgage and agency debt sectors can significantly affect the fair value of our net assets. The fair value impact of changes in OAS for a given period represents an estimate of the net unrealized increase or decrease in the fair value of net assets arising from net fluctuations in OAS during that period. We do not attempt to hedge or actively manage the impact of changes in mortgage-to-debt OAS. Changes in market conditions, including changes in interest rates, may cause fluctuations in the OAS. A widening of the OAS on a given asset typically causes a decline in the current fair value of that asset, but may increase the number of attractive opportunities to purchase new assets for our retained portfolio. See *Management's Discussion and Analysis of Financial Condition and Results of Operations — Consolidated Fair Value Balance Sheets Analysis — Discussion of Fair Value Results* in our November 20, 2007 Information Statement Supplement. Consequently, a widening of the OAS may adversely affect current earnings or financial condition. Conversely, a narrowing or tightening of the OAS typically causes an increase in the current fair value of that asset, but may reduce the number of attractive opportunities to purchase

new assets for our retained portfolio. Consequently, a tightening of the OAS may adversely affect future earnings or financial condition. See *Management's Discussion and Analysis of Financial Condition and Results of Operations — Consolidated Fair Value Balance Sheets Analysis — Discussion of Fair Value Results* in our November 20, 2007 Information Statement Supplement for a more detailed description of the impacts of changes in mortgage-to-debt OAS.

**The loss of business volume from key lenders could result in a decline in our market share and revenues.**

Our business depends on our ability to acquire a steady flow of mortgage loans from the originators of those loans. We purchase a significant percentage of our single-family mortgages from several large mortgage originators. During the nine months ended September 30, 2007, approximately 78% of our guaranteed mortgage securities issuances originated from purchase volume associated with our ten largest customers. Two of our customers each accounted for greater than 10% of our mortgage securitization volume for the nine months ended September 30, 2007. We enter into mortgage purchase volume commitments with many of our customers that are renewed annually and provide for a minimum level of mortgage volume that these customers will deliver to us. One of our customers, which accounted for more than 10% of our mortgage purchase volume for the nine months ended September 30, 2007, reduced its minimum mortgage volume commitments to us upon renewal of its contract at July 1, 2007. In addition, ABN Amro Mortgage Group, Inc., which accounted for more than 8% of our guaranteed securitization volume for the six months ended June 30, 2007, was acquired and, as a result, the contract was not renewed when it expired in the third quarter of 2007. The mortgage industry has been consolidating and a decreasing number of large lenders originate most single-family mortgages. The loss of business from any one of our major lenders, or their failure to meet our eligibility requirements, could adversely affect our market share, our revenues and the performance of our guaranteed mortgage-related securities.

**Regulation and initiatives regarding non-traditional and subprime mortgage products may adversely affect our profitability or our ability to achieve our affordable housing goals and subgoals.**

The actions we are taking in connection with the Interagency Guidance and the Subprime Statement are described in *Management's Discussion and Analysis of Financial Condition and Results of Operations — Quantitative and Qualitative Disclosures About Market Risk — Credit Risks — Mortgage Credit Risk — Guidance on Non-traditional Mortgage Product Risks and Subprime Mortgage Lending* in our November 20, 2007 Information Statement Supplement. These changes to our underwriting and disclosure requirements and investment standards could reduce the number of these mortgage products available to us for purchase. Reductions in our purchases of these mortgage products may adversely affect our profitability and are likely to make it more difficult to achieve our affordable housing goals and subgoals. Furthermore, in April 2007, we announced that we will purchase up to \$20 billion in fixed-rate and hybrid ARM products from lender customers that will provide these lenders with more mortgage products to offer subprime borrowers. These initiatives may also adversely affect our profitability or our ability to achieve our affordable housing goals and subgoals.

**We rely on internal models for financial accounting and reporting purposes, to make business decisions and to manage risks, and our business could be adversely affected if those models fail to produce reliable results.**

We make significant use of business and financial models for financial accounting and reporting purposes and to manage risk. The information used in these models is also used in making business decisions relating to our strategies, initiatives, transactions and products. Models are inherently imperfect predictors of actual results because they are based on assumptions about future performance. Our models could produce unreliable results for a number of reasons, including invalid or incorrect assumptions underlying the models or incorrect data being used by the models. The valuations, risk metrics, amortization results and loan loss reserve estimations produced from our internal models may be different from actual results. For more information on operational risks related to our internal models for financial accounting and reporting purposes, see *Risk Factors — We rely on internal models for financial accounting and reporting purposes, to make business decisions, and to manage risks, and our business could be adversely affected if those models fail to produce reliable results* in our Information Statement.

#### **Risks Related to the Preferred Stock**

##### **The Preferred Stock is subordinated to our senior obligations.**

The Preferred Stock is subordinated to our senior obligations, including our subordinated debt consisting primarily of Freddie SUBS<sup>®</sup> securities. The terms of the Freddie SUBS<sup>®</sup> securities that we have outstanding provide for the deferral of interest payments under certain specified circumstances of financial distress and, during those deferral periods, prohibit the payment of dividends on our stock, including the Preferred Stock. Additionally, we are not permitted to declare or pay dividends on the Preferred Stock if any arrears or defaults exist in the payment of dividends on any outstanding class or series of our stock ranking prior to the Preferred Stock with respect to the payment of dividends. As of the date of this Offering Circular, we have no outstanding class or series of stock that ranks senior to the Preferred Stock.

##### **There is no existing trading market for the Preferred Stock.**

The Preferred Stock is a new issue of securities with no established trading market. Although the Preferred Stock has been approved for listing on the NYSE, an active market for the Preferred Stock may not develop or be sustained in the future. We cannot make assurances to you regarding the liquidity of, or trading markets for, the Preferred Stock.

## USE OF PROCEEDS

The capital raised from the sale of the Preferred Stock will be used to bolster our capital base in light of actual and anticipated losses necessitated by GAAP accounting requirements and help us meet the 30% surplus going forward. We expect to deploy such proceeds for the purchase of residential mortgages or mortgage-related securities (subject to regulatory constraints), for the financing of growth in our mortgage guarantee business and for other corporate purposes consistent with evolving business and market conditions. See *Regulatory Capital*.

## CAPITALIZATION

The following table shows our capitalization at September 30, 2007:

- on an actual basis; and
- pro forma to give effect to the sale of the Preferred Stock offered hereby.

This information should be read together with our consolidated financial statements and other financial information set forth in the Information Statement and our unaudited consolidated financial statements and other financial information set forth in the November 20, 2007 Information Statement Supplement. We engage in financing transactions and issue or repurchase debt obligations on an ongoing basis, all of which cause our total capitalization to change. Therefore, on any date after September 30, 2007, our total capitalization will differ (perhaps substantially) from the figures contained in this capitalization table. See *Risk Factors — Risks Related to Our Business — We continue to experience delays in our financial reporting*.

	September 30, 2007	
	Actual	Pro Forma <sup>(1)</sup>
	(dollars in millions)	
Debt securities, net		
Senior debt:		
Due within one year	\$261,127	\$261,127
Due after one year	468,903	468,903
Subordinated Borrowings	5,232	5,232
Total debt securities, net	<u>735,262</u>	<u>735,262</u>
Stockholders' Equity <sup>(2)(3)(4)</sup>		
Variable Rate, Non-Cumulative Preferred Stock, \$1.00 par value and \$50.00 redemption value <sup>(5)</sup>	250	250
5.81% Non-Cumulative Preferred Stock, \$1.00 par value and \$50.00 redemption value <sup>(6)</sup>	150	150
5% Non-Cumulative Preferred Stock, \$1.00 par value and \$50.00 redemption value <sup>(7)</sup>	400	400
Variable Rate, Non-Cumulative Preferred Stock, \$1.00 par value and \$50.00 redemption value <sup>(8)</sup>	220	220
5.1% Non-Cumulative Preferred Stock, \$1.00 par value and \$50.00 redemption value <sup>(9)</sup>	400	400
5.3% Non-Cumulative Preferred Stock, \$1.00 par value and \$50.00 redemption value <sup>(10)</sup>	200	200
5.1% Non-Cumulative Preferred Stock, \$1.00 par value and \$50.00 redemption value <sup>(11)</sup>	150	150
5.79% Non-Cumulative Preferred Stock, \$1.00 par value and \$50.00 redemption value <sup>(12)</sup>	250	250
Variable Rate, Non-Cumulative Preferred Stock, \$1.00 par value and \$50.00 redemption value <sup>(13)</sup>	287	287
Variable Rate, Non-Cumulative Preferred Stock, \$1.00 par value and \$50.00 redemption value <sup>(14)</sup>	325	325
Variable Rate, Non-Cumulative Preferred Stock, \$1.00 par value and \$50.00 redemption value <sup>(15)</sup>	230	230
5.81% Non-Cumulative Preferred Stock, \$1.00 par value and \$50.00 redemption value <sup>(16)</sup>	173	173
Variable Rate, Non-Cumulative Preferred Stock, \$1.00 par value and \$50.00 redemption value <sup>(17)</sup>	201	201
6% Non-Cumulative Preferred Stock, \$1.00 par value and \$50.00 redemption value <sup>(18)</sup>	173	173
5.7% Non-Cumulative Preferred Stock, \$1.00 par value and \$50.00 redemption value <sup>(19)</sup>	300	300
5.81% Non-Cumulative Preferred Stock, \$1.00 par value and \$50.00 redemption value <sup>(20)</sup>	300	300
Variable Rate, Non-Cumulative Preferred Stock, \$1.00 par value and \$50.00 redemption value <sup>(21)</sup>	750	750
6.42% Non-Cumulative Preferred Stock, \$1.00 par value and \$50.00 redemption value <sup>(22)</sup>	250	250
5.9% Non-Cumulative Preferred Stock, \$1.00 par value and \$25.00 redemption value <sup>(23)</sup>	500	500
5.77% Non-Cumulative Preferred Stock, \$1.00 par value and \$25.00 redemption value <sup>(24)</sup>	1,100	1,100
5.66% Non-Cumulative Preferred Stock, \$1.00 par value and \$25.00 redemption value <sup>(25)</sup>	500	500
6.02% Non-Cumulative Preferred Stock, \$1.00 par value and \$25.00 redemption value <sup>(26)</sup>	500	500
6.55% Non-Cumulative Preferred Stock, \$1.00 par value and \$25.00 redemption value <sup>(27)</sup>	500	500
Fixed-to-Floating Rate Non-Cumulative Preferred Stock, \$1.00 par value and \$25.00 redemption value <sup>(28)</sup>	—	6,000
Common stock, \$0.21 par value	152	152
Additional paid-in capital	961	871
Retained earnings	29,607	29,607
Accumulated other comprehensive income (loss), net of taxes	(8,823)	(8,823)
Treasury stock, at cost	(4,186)	(4,186)
Total stockholders' equity	<u>25,820</u>	<u>31,730</u>
Total capitalization	<u>\$761,082</u>	<u>\$766,992</u>

- (1) "Pro Forma" reflects anticipated proceeds of \$5.9 billion from the issuance of 240 million shares of the Preferred Stock, and the deduction of \$300,000 in estimated transaction costs. The actual transaction costs may differ. "Pro Forma" does not reflect any debt transactions since September 30, 2007.
- (2) Preferred stock amounts reflect redemption values as shown. Costs associated with the issuance of preferred stock are included in additional paid-in capital.
- (3) As long as the capital monitoring framework established by OFHEO in January 2004 remains in effect, any preferred stock redemption will require prior approval by OFHEO. See *Note 10: Regulatory Capital* to our consolidated financial statements included in the Information Statement for more information.
- (4) All classes of preferred stock are perpetual and non-cumulative, and carry no significant voting rights or rights to purchase additional Freddie Mac stock or securities.
- (5) Optional redemption on or after June 30, 2001.
- (6) Optional redemption on or after October 27, 1998.
- (7) Optional redemption on or after March 31, 2003.
- (8) Optional redemption on or after September 30, 2003.
- (9) Optional redemption on or after October 30, 2000.
- (10) Optional redemption on or after March 31, 2004.
- (11) Optional redemption on or after June 30, 2009.
- (12) Optional redemption on December 31, 2004 and on December 31 every five years thereafter.
- (13) Optional redemption on March 31, 2003 and on March 31 every two years thereafter.
- (14) Optional redemption on March 31, 2003 and on March 31 every year thereafter.
- (15) Optional redemption on or after March 31, 2011.
- (16) Optional redemption on June 30, 2003 and on June 30 every two years thereafter.
- (17) Optional redemption on or after June 30, 2006.
- (18) Optional redemption on or after December 31, 2006.
- (19) Optional redemption on or after March 31, 2007.
- (20) Optional redemption on or after June 30, 2011.
- (21) Optional redemption on or after September 30, 2011.
- (22) Optional redemption on or after December 31, 2011.
- (23) Optional redemption on or after March 31, 2012.
- (24) Optional redemption on or after June 30, 2012.
- (25) Optional redemption on or after September 30, 2017.
- (26) Optional redemption on December 31, 2012 and on December 31 every five years thereafter.

See *Notes 8 and 9* to the consolidated financial statements included in the Information Statement and *Notes 7 and 8* to the unaudited consolidated financial statements included in the November 20, 2007 Information Statement Supplement for further information about our debt securities, subordinated borrowings and stockholders' equity.

## SELECTED FINANCIAL DATA AND OTHER OPERATING MEASURES

The following table sets forth, for the periods and dates indicated, our selected consolidated financial data and other operating measures, which have been derived from and should be read in conjunction with our annual consolidated financial statements, including those incorporated in this Offering Circular by reference to the Information Statement and our unaudited consolidated financial statements for the nine months ended September 30, 2007 included in the November 20, 2007 Information Statement Supplement.

We have material weaknesses and other deficiencies in our internal control environment. On any date after September 30, 2007, our financial information may differ (perhaps substantially) from the data contained in this table. See *Risk Factors — Risks Related to Our Business — We continue to experience delays in our financial reporting and — We have material weaknesses and other deficiencies in our internal controls.*

	At or for the Nine Months Ended September 30,		At or for the Year Ended December 31,				
	2007	2006	2006	2005	2004	2003	2002
	(dollars in millions, except share-related amounts)						
<b>Income Statement Data</b>							
Net interest income	\$ 2,938	\$ 3,262	\$ 4,235	\$ 5,370	\$ 9,137	\$ 9,498	\$ 9,525
Non-interest income (loss)	(937)	1,458	915	199	(3,039)	(244)	7,154
Net income (loss) before cumulative effect of changes in accounting principles	(1,476)	2,691	2,211	2,189	2,937	4,816	10,090
Cumulative effect of changes in accounting principles, net of taxes	—	—	—	(59)	—	—	—
Net income (loss)	(1,476)	2,691	2,211	2,130	2,937	4,816	10,090
Net income (loss) available to common stockholders	\$ (1,768)	\$ 2,496	\$ 1,936	\$ 1,907	\$ 2,727	\$ 4,600	\$ 9,851
Earnings (loss) per common share before cumulative effect of changes in accounting principles:							
Basic	\$ (2.70)	\$ 3.63	\$ 2.84	\$ 2.84	\$ 3.96	\$ 6.69	\$ 14.22
Diluted	(2.70)	3.63	2.84	2.83	3.94	6.68	14.17
Earnings (loss) per common share after cumulative effect of changes in accounting principles:							
Basic	\$ (2.70)	\$ 3.63	\$ 2.84	\$ 2.76	\$ 3.96	\$ 6.69	\$ 14.22
Diluted	(2.70)	3.63	2.84	2.75	3.94	6.68	14.17
Dividends per common share	\$ 1.50	\$ 1.41	\$ 1.91	\$ 1.52	\$ 1.20	\$ 1.04	\$ 0.88
Weighted average common shares outstanding (in thousands):							
Basic	653,825	686,651	680,856	691,582	689,282	687,094	692,727
Diluted	653,825	688,130	682,664	693,511	691,521	688,675	695,116
<b>Balance Sheet Data</b>							
Total assets	\$792,873	\$827,197	\$813,081	\$806,222	\$795,284	\$803,449	\$752,249
Senior debt due within one year	261,127	299,654	294,861	288,532	282,303	295,262	244,429
Senior debt due after one year	468,903	464,367	452,677	454,627	443,772	438,738	415,662
Subordinated debt due after one year	5,232	5,886	6,400	5,633	5,622	5,613	5,605
Miscellaneous liabilities <sup>(1)</sup>	31,510	27,640	30,326	29,290	30,662	30,420	52,914
Minority interests in consolidated subsidiaries	281	621	516	949	1,509	1,929	2,309
Stockholders' equity	25,820	29,031	28,301	27,191	31,416	31,487	31,330
<b>Ratios</b>							
Return on average assets <sup>(2)</sup>	(0.2)%	0.4%	0.3%	0.3%	0.4%	0.6%	1.4%
Return on common equity <sup>(3)</sup>	(11.8)	14.5	8.6	7.7	10.2	17.2	47.2
Return on total equity <sup>(4)</sup>	(7.3)	12.8	8.0	7.3	9.3	15.3	39.6
Dividend payout ratio on common stock <sup>(5)</sup>	N/A	39.1	67.7	56.4	30.7	15.6	6.2
Equity to assets ratio <sup>(6)</sup>	3.4	3.4	3.4	3.7	3.9	4.0	3.7
Preferred stock to core capital ratio <sup>(7)</sup>	23.4	15.1	16.9	12.8	13.2	14.0	15.9

(1) Includes: (a) Due to PC investors; (b) Accrued interest payable; (c) Guarantee obligation; (d) Derivative liabilities, net at fair value; (e) Reserve for guarantee losses on PCs; and (f) Other liabilities, as presented on our consolidated balance sheets.

(2) Year-to-date computations are computed as annualized year-to-date net income (loss) divided by the simple average of the beginning and ending balances of total assets.

(3) Year-to-date computations are computed as annualized year-to-date net income (loss) available to common stockholders divided by the simple average of the beginning and ending balances of stockholders' equity, net of preferred stock (at redemption value).

(4) Year-to-date computations are computed as annualized year-to-date net income (loss) divided by the simple average of the beginning and ending balances of stockholders' equity.

(5) Year-to-date computations are computed as year-to-date common stock dividends declared divided by year-to-date net income available to common stockholders. For the nine months ended September 30, 2007, net income (loss) available to common stockholders was a loss, thus this calculation is not applicable.

(6) Year-to-date computations are calculated as the simple average of the beginning and ending balances of stockholders' equity divided by the simple average of the beginning and ending balances of total assets.

(7) Ratio computed as preferred stock, at redemption value divided by core capital. See "Note 10: Regulatory Capital" in our 2006 Information Statement for more information regarding core capital.

## RECENT DEVELOPMENTS

### **New York Attorney General Investigation**

On November 6, 2007, the N.Y. Attorney General sent us a draft of a letter demanding that we either retain an independent examiner to investigate Washington Mutual Inc.'s appraisal practices, the appraisals relating to our mortgage purchases from Washington Mutual, and appraisals conducted by First American Corporation and its subsidiary, eAppraiseIT, or immediately cease and desist from purchasing or securitizing Washington Mutual loans and any loans supported by First American or eAppraiseIT appraisals. We have agreed to cooperate fully with the N.Y. Attorney General in appointing an independent examiner. The letter also gave notice of the issuance to us of a subpoena, which we have now received, for information regarding appraisals and property valuations as they relate to our mortgage purchases and securitizations. At this time it is unknown whether the results of this investigation will adversely affect our relationship with these counterparties. For information on our counterparty risk, see *Risk Factors — Risks Related to Our Business — We depend on our institutional counterparties to provide services that are critical to our business and our results of operations or financial condition may be adversely affected if one or more of our institutional counterparties are unable to meet their obligations to us.*

### **Putative Class Action Suit**

On November 21, 2007, a putative class action lawsuit was filed in the U.S. District Court for the Southern District of New York against Freddie Mac and certain of its current and former officers. The plaintiff alleges that from August 1, 2006 through November 19, 2007 (the “**Class Period**”), the defendants violated federal securities laws by making false and misleading statements about Freddie Mac's business, risk management, and the procedures we put into place to protect Freddie Mac from problems in the mortgage industry, and by failing to disclose adverse facts known to them about Freddie Mac. The complaint was filed purportedly on behalf of a class comprised of all persons who purchased Freddie Mac common stock during the Class Period, and seeks an award of unspecified damages, costs, attorneys' fees, and equitable/injunctive relief. At present, it is not possible to determine the likelihood of loss or the range of loss presented by this lawsuit, assuming the class becomes certified.

### **Legislative Developments**

We face a highly uncertain regulatory environment in light of GSE regulatory oversight legislation currently under consideration in Congress. The House of Representatives passed GSE regulatory oversight legislation on May 22, 2007. This legislation would give our regulator substantial authority to assess our safety and soundness and to regulate our portfolio investments, including requiring reductions in those investments, consistent with our mission and safe and sound operations. This legislation includes provisions that would increase the regulator's authority to require us to maintain higher minimum and risk-based capital levels and, for 2007 through 2011, require us to make an annual contribution to an affordable housing fund in an amount equal to 1.2 basis points of the average aggregate UPB of our Total mortgage portfolio. This legislation also includes provisions that would give our regulator enhanced authority to regulate our business activities, which could constrain our ability to respond quickly to a changing marketplace. See *Regulation and Supervision — GSE Regulatory Oversight Legislation* in the Information Statement for more information regarding this bill. We cannot predict the prospects for the enactment, timing

or content of any final legislation. Furthermore, in the current environment, we may be subject to further Congressional hearings about our operations, practices and mission. The provisions of this legislation could have a material adverse effect on our ability to fulfill our mission, future earnings, stock price and stockholder returns, rate of growth of fair value of net assets attributable to common stockholders and our ability to recruit and retain qualified officers and directors.

## DESCRIPTION OF THE PREFERRED STOCK

The Preferred Stock will have the terms shown in the Certificate of Designation attached as *Appendix A* to this Offering Circular. The following is a summary of those terms.

### General

Section 306(f) of the Freddie Mac Act authorizes us to issue an unlimited number of shares of preferred stock. The shares of Preferred Stock we are offering will have a par value of \$1.00 per share and will be created by the Certificate of Designation.

Computershare Trust Company, N.A., will be the transfer agent, dividend disbursing agent and registrar for the Variable Rate Preferred Stock.

### Authorized Issuance

Our Board of Directors has authorized us to issue the shares of Preferred Stock. The authorized number of shares may be increased at any time without the consent of the holders of the Preferred Stock. We may “reopen” this offering at any time by offering additional shares of the Preferred Stock at prices to be determined at that time.

### Dividends

#### *General*

Dividends on shares of the Preferred Stock are not mandatory. If you own shares of the Preferred Stock, you will be entitled to receive non-cumulative, quarterly cash dividends which will accrue at the applicable dividend rate from but not including the original date of issuance and will be payable on March 31, June 30, September 30 and December 31 of each year (each, a “**Dividend Payment Date**”), beginning on March 31, 2008. However, dividends are payable only if declared by our Board of Directors in its sole discretion, out of funds legally available for dividend payments. Dividends not declared for any Dividend Payment Date will not accrue thereafter.

If a Dividend Payment Date is not a Business Day, the related dividend will be paid not later than the next Business Day with the same effect as though paid on the Dividend Payment Date, without any increase to account for the period from the Dividend Payment Date through the date of actual payment. If a Dividend Payment Date falls on a Saturday, a Sunday or a holiday, we customarily pay the related dividend on the immediately preceding Business Day without any decrease to account for the period from the date of actual payment through such weekend day or holiday. “**Business Day**” means a day other than (a) Saturday or Sunday, (b) a day on which New York City banks are closed or (c) a day on which our offices are closed. We will make dividend payments to holders of record on the record date established by our Board of Directors, which will be from 10 to 45 days before the applicable Dividend Payment Date.

The Certificate of Designation does not require us to make any dividend adjustment as a result of changes in the dividends-received deduction under the Internal Revenue Code of 1986.

If we redeem the Preferred Stock, we will include the dividend that would otherwise be payable for the Dividend Period that ends on the redemption date, accrued through and including the redemption date, whether or not declared, in the redemption price of the shares redeemed. We will not pay this dividend to you separately.

#### *Fixed Rate Period*

For each Dividend Period from December 4, 2007 through December 31, 2012 (the “**Fixed Rate Period**”), dividends on shares of the Preferred Stock will accrue at an annual rate of 8.375% or \$2.09375 per share. If declared, the initial dividend, which will be for the period from but not including the original date of issuance through and including March 31, 2008, will be \$0.67465 per share. Thereafter, the “**Dividend Period**” relating to a Dividend Payment Date will be the period from but not including the preceding Dividend Payment Date through and including the related Dividend Payment Date.

For the Fixed Rate Period, we will compute the amount of dividends payable on the Preferred Stock for any period shorter than a full Dividend Period on the basis of twelve 30-day months and a 360-day year. We will compute any dividends payable on the Preferred Stock for each full Dividend Period for the Fixed Rate Period by dividing the annual dividend by four.

#### *Floating Rate Period*

For the Dividend Period beginning on January 1, 2013 and for each Dividend Period thereafter (the “**Floating Rate Period**”), dividends will accrue from Dividend Period to Dividend Period at a variable rate equal to the higher of (x) 3-Month LIBOR plus 4.16% per annum and (y) 7.875% per annum. We will determine 3-Month LIBOR for each Floating Rate Period two London Business Days (defined as any day, other than a Saturday or Sunday, on which banks are open for business in London) prior to the first day of such Dividend Period (each, a “**LIBOR Determination Date**”).

For each Dividend Period during the Floating Rate Period, we will compute the amount of dividends payable on the Preferred Stock on the basis of the actual number of days elapsed during that period and a 360-day year.

#### *Determination of 3-Month LIBOR*

We determine “**3-Month LIBOR**” as follows:

1. 3-Month LIBOR for any Dividend Period during the Floating Rate Period will be the rate (expressed as a percentage per annum) for Eurodollar deposits having a three-month maturity that appears on Reuters Screen LIBOR01 as of 11:00 a.m. (London time) on the related LIBOR Determination Date. “**Reuters Screen LIBOR01**” means the display designated as “Reuters Screen LIBOR01 Page” or such other page as may replace Reuters Screen LIBOR01 Page on that service or such other service or services as may be nominated by the British Bankers’ Association as the information vendor for the purpose of displaying London interbank offered rates for Eurodollar deposits. If at least two rates appear on the Reuters Screen LIBOR01, the rate on the LIBOR Determination Date will be the arithmetic mean of such rates;

2. If such rate does not appear on Reuters Screen LIBOR01 as of 11:00 a.m. (London time) on the related LIBOR Determination Date, Freddie Mac will request the principal London offices of four leading banks in the London interbank market to provide such banks' offered quotations (expressed as percentages per annum) to prime banks in the London interbank market for Eurodollar deposits having a three-month maturity as of 11:00 a.m. (London time) on such LIBOR Determination Date. If at least two quotations are provided, 3-Month LIBOR will be the arithmetic mean (if necessary rounded upwards to the nearest whole multiple of 1/128 of 1%) of such quotations;

3. If fewer than two such quotations are provided as requested in clause 2. above, Freddie Mac will request four major New York City banks to provide such banks' offered quotations (expressed as percentages per annum) to leading European banks for loans in Eurodollars as of 11:00 a.m. (New York time) on such LIBOR Determination Date. If at least two such quotations are provided, 3-Month LIBOR will be the arithmetic mean (if necessary rounded upwards to the nearest whole multiple of 1/128 of 1%) of such quotations; and

4. If fewer than two such quotations are provided as requested in clause 3. above, 3-Month LIBOR will be the 3-Month LIBOR determined with respect to the Dividend Period immediately preceding such current Dividend Period. If the applicable Dividend Period for which fewer than two such quotations are provided is the Dividend Period beginning on January 1, 2013, then 3-Month LIBOR will be the rate for Eurodollar deposits having a three-month maturity that appeared, as of 11:00 a.m. (London time) on the most recent London Business Day preceding the LIBOR Determination Date for which the rate was displayed on Reuters Screen LIBOR01.

If the rate for Eurodollar deposits having a three-month maturity that initially appears on Reuters Screen LIBOR01 as of 11:00 a.m. (London time) on the related LIBOR Determination Date is superseded on Reuters Screen LIBOR01 by a corrected rate before 12:00 noon (London time) on such LIBOR Determination Date, the corrected rate as so substituted on the applicable page will be the applicable 3-Month LIBOR for such LIBOR Determination Date.

In the absence of clear error, our determination of 3-Month LIBOR and the dividend rate will be final and binding. You can obtain 3-Month LIBOR and the dividend rates for the current and preceding Dividend Periods by contacting our Investor Relations Department as shown on page 2.

### *Preferences and Limitations*

The Preferred Stock will rank prior to our Common Stock with respect to the payment of dividends, as provided in the Certificate of Designation. We will not declare or pay any dividend on our Common Stock or any of our other junior stock unless dividends have been declared and paid or set apart, or ordered to be set apart, on the Preferred Stock for the then-current Dividend Period. The Preferred Stock will rank equally with respect to dividends with our currently outstanding classes of Preferred Stock (the “**Existing Preferred Stock**”), which are listed in Section 1 of the Certificate of Designation and in the table under *Capitalization* in this Offering Circular.

Dividends on the Preferred Stock are not cumulative. If we do not pay a dividend on the Preferred Stock for any Dividend Period, the holders of the Preferred Stock will have no claim to a

payment for that Dividend Period as long as we do not pay a dividend for that Dividend Period on our Common Stock, any of our other junior stock or the Existing Preferred Stock.

Our Board of Directors may, in its discretion, choose to pay dividends on the Preferred Stock without paying dividends on our Common Stock.

We have offered and sold subordinated debt which we refer to as Freddie SUBS securities. As of the date of this Offering Circular, we have a total of approximately \$4.4 billion in Freddie SUBS outstanding. The most recent issuance of Freddie SUBS took place in December 2006. The terms of the Freddie SUBS that we have issued provide for the deferral of interest payments under certain specified circumstances of financial distress. The terms of the Freddie SUBS also prohibit the payment of dividends on our stock, including the Preferred Stock, during any period when we have deferred paying interest on our subordinated debt.

We will not declare or pay any dividends on the Preferred Stock if at the same time any arrears or default exists in the payment of dividends on any outstanding class or series of our stock ranking prior to the Preferred Stock with respect to the payment of dividends. At the time of issuance of the Preferred Stock, no class or series of our stock ranking prior to the Preferred Stock will exist.

Holders of shares of the Preferred Stock will not be entitled to any dividends, whether payable in cash or other property, other than as described above and will not be entitled to interest, or any sum in lieu of interest, in respect of any dividend payment.

See *Regulatory Capital* below for a description of possible regulatory restrictions on our ability to pay dividends.

### **Optional Redemption**

The Preferred Stock will not be redeemable prior to December 31, 2012. On December 31, 2012 and on each fifth anniversary thereafter, we may redeem the Preferred Stock, in whole or in part, out of legally available funds. The redemption price will be \$25.00 per share plus an amount equal to the amount of the dividend that would otherwise be payable for the Dividend Period that ends on the redemption date, accrued through and including the redemption date, whether or not declared. If we redeem less than all of the outstanding shares of the Preferred Stock, we will select shares to be redeemed by lot or pro rata (as nearly as possible) or by any other method which we deem equitable.

We will give notice of optional redemption by mail to holders of the Preferred Stock from 30 days to 60 days before the redemption date. Each notice will state the number of shares of Preferred Stock being redeemed, the redemption price, the redemption date and the place at which a holder's Preferred Stock certificates must be presented for such redemption.

On and after the redemption date, the shares of Preferred Stock called for redemption will no longer be deemed outstanding, and all rights of the holders of those shares will cease, other than the right to receive the redemption price for such redeemed shares.

The terms of our currently offered subordinated debt prohibit us from redeeming our stock, including the Preferred Stock, during any period when we have deferred paying interest on our subordinated debt.

See *Regulatory Capital* below for a description of possible regulatory restrictions on our ability to redeem the Preferred Stock.

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

As a holder of Preferred Stock, you will not have any preemptive rights to purchase or subscribe for any other shares, rights, options or other securities. You will not have any right to convert your shares into or exchange your shares for any other class or series of our stock or obligations.

### **No Voting Rights**

Section 306(f) of the Freddie Mac Act prohibits the holders of Preferred Stock from voting for the election of any member of our Board of Directors. Except as described under *Amendments* below, as a holder you will not be entitled to vote.

### **Liquidation Rights**

If we voluntarily or involuntarily dissolve, liquidate or wind up our business, then, after payment of or provision for our liabilities to creditors and the expenses of our dissolution, liquidation or winding up, the holders of the outstanding shares of the Preferred Stock will be entitled to receive out of our assets available for distribution to stockholders, before any payment or distribution is made on the Common Stock or any other junior stock, \$25.00 per share plus an amount equal to the dividend for the then-current quarterly Dividend Period accrued through and including the liquidation payment date, whether or not declared.

In the event of our dissolution, liquidation or winding up, the rights of the Preferred Stock to receive distributions rank equally with those of the Existing Preferred Stock. If our assets available for distribution to shareholders are insufficient to pay in full the aggregate amount payable to holders of the Preferred Stock, the Existing Preferred Stock and any other class or series of stock of equal priority upon liquidation, the assets will be distributed to the holders of the Preferred Stock, the Existing Preferred Stock and such other stock pro rata, based on the amounts to which they are entitled.

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

Our consolidation, merger or combination with or into any other corporation or entity, or the sale of all or substantially all of our property or business, will not constitute a liquidation, dissolution or winding up for purposes of these provisions on liquidation rights.

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

We will have the right to create and issue additional classes or series of stock ranking prior to, equally with or junior to the Preferred Stock, as to dividends, liquidation or otherwise, without the

consent of holders of the Preferred Stock. As of the date of this Offering Circular, we have no outstanding class or series of stock or other equity security that ranks senior to the Preferred Stock as to dividends and distributions upon our dissolution, liquidation or winding up.

### **Amendments**

Without the consent of the holders of the Preferred Stock, we will have the right to amend the Certificate of Designation to cure any ambiguity, to correct or supplement any term which may be defective or inconsistent with any other term or to make any other provisions so long as the amendment does not materially and adversely affect the interests of the holders of the Preferred Stock. Otherwise, we may amend the Certificate of Designation only with the consent of the holders of at least two-thirds of the outstanding shares of Preferred Stock. On matters requiring consent, each holder will be entitled to one vote per share.

## **REGULATORY CAPITAL**

### **Regulatory Capital Standards**

The Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (the “**GSE Act**”) established minimum, critical and risk-based capital standards for us.

Those standards determine the amounts of core capital and total capital that we must maintain to meet regulatory capital requirements. Core capital consists of the par value of outstanding common stock (common stock issued less common stock held in treasury), the par value of outstanding non-cumulative, perpetual preferred stock, additional paid-in capital and retained earnings, as determined in accordance with GAAP. Total capital includes core capital and general reserves for mortgage and foreclosure losses and any other amounts available to absorb losses that OFHEO includes by regulation.

#### *Minimum Capital*

The minimum capital standard requires us to hold an amount of core capital that is generally equal to the sum of 2.50% of aggregate on-balance sheet assets and approximately 0.45% of the sum of outstanding mortgage-related securities we guaranteed and other aggregate off-balance sheet obligations. As discussed below, in 2004 OFHEO implemented a framework for monitoring our capital adequacy, which includes a mandatory target capital surplus of 30% over the capital requirement determined under the minimum capital standard.

#### *Critical Capital*

The critical capital standard requires us to hold an amount of core capital that is generally equal to the sum of 1.25% of aggregate on-balance sheet assets and approximately 0.25% of the sum of outstanding mortgage-related securities we guaranteed and other aggregate off-balance sheet obligations.

#### *Risk-Based Capital*

The risk-based capital standard requires the application of a stress test to determine the amount of total capital that we must hold to absorb projected losses resulting from adverse interest-rate and

credit-risk conditions specified by the GSE Act and adds 30% additional capital to provide for management and operations risk. The adverse interest-rate conditions prescribed by the GSE Act include one scenario in which 10-year Treasury yields rise by as much as 75% (up-rate scenario) and one in which they fall by as much as 50% (down-rate scenario). The credit risk component of the stress tests simulates the performance of our mortgage portfolio based on loss rates for a benchmark region. The criteria for the benchmark region are established by the GSE Act and are intended to capture the credit-loss experience of the region that experienced the highest historical rates of default and severity of mortgage losses for two consecutive origination years.

## **Classification**

OFHEO monitors our performance with respect to the three regulatory capital standards by classifying our capital adequacy not less than quarterly.

To be classified as “adequately capitalized,” we must meet both the risk-based and minimum capital standards. If we fail to meet the risk-based capital standard, we cannot be classified higher than “undercapitalized.” If we fail to meet the minimum capital requirement but exceed the critical capital requirement, we cannot be classified higher than “significantly undercapitalized.” If we fail to meet the critical capital standard, we must be classified as “critically undercapitalized.” In addition, OFHEO has discretion to reduce our capital classification by one level if OFHEO determines that we are engaging in conduct OFHEO did not approve that could result in a rapid depletion of core capital or determines that the value of property subject to mortgage loans we hold or guarantee has decreased significantly.

When we are classified as adequately capitalized, we generally can pay a dividend on our common or preferred stock or make other capital distributions (which includes common stock repurchases and preferred stock redemptions) without prior OFHEO approval so long as the payment would not decrease total capital to an amount less than our risk-based capital requirement and would not decrease our core capital to an amount less than our minimum capital requirement. However, because we are currently subject to the regulatory capital monitoring framework described below, we are required to obtain OFHEO’s prior approval of certain capital transactions, including common stock repurchases, redemption of any preferred stock, payment of dividends on preferred stock above stated contractual rates, or any action that is likely to impair our ability to manage the target capital surplus established under that framework.

If we were classified as undercapitalized, we would be prohibited from making a capital distribution that would reduce our core capital to an amount less than our minimum capital requirement. We also would be required to submit a capital restoration plan for OFHEO approval, which could adversely affect our ability to make capital distributions.

If we were classified as significantly undercapitalized, we would be prohibited from making any capital distribution that would reduce our core capital to less than the critical capital level. We would otherwise be able to make a capital distribution only if OFHEO determined that the distribution would: (a) enhance our ability to meet the risk-based capital standard and the minimum capital standard promptly; (b) contribute to our long-term financial safety and soundness; or (c) otherwise be in the public interest. Also under this classification, OFHEO could take action to limit our growth, require us to acquire new capital or restrict us from activities that create excessive risk. We also would be required to submit a capital restoration plan for OFHEO approval, which could adversely affect our ability to make capital distributions.

If we were classified as critically undercapitalized, OFHEO would be required to appoint a conservator for us, unless OFHEO made a written finding that it should not do so and the Secretary of the Treasury concurred in that determination. We would be able to make a capital distribution only if OFHEO determined that the distribution would: (a) enhance our ability to meet the risk-based capital standard and the minimum capital standard promptly; (b) contribute to our long-term financial safety and soundness; or (c) otherwise be in the public interest.

## Performance Against Regulatory Capital Standards

OFHEO has never classified us as other than “adequately capitalized,” the highest possible classification, reflecting our consistent compliance with the minimum, critical and risk-based capital requirements.

The following table summarizes our regulatory capital requirements and surpluses<sup>(1)</sup>:

	September 30, 2007	December 31, 2006
	(in millions)	
<i>Minimum capital requirement</i> . . . . .	\$26,190	\$25,844
Core capital . . . . .	34,643	36,170
Minimum capital surplus . . . . .	8,453	10,326
<i>Critical capital requirement</i> . . . . .	\$13,461	\$13,237
Core capital . . . . .	34,643	36,170
Critical capital surplus . . . . .	21,182	22,933
<i>Risk-based capital requirement</i> <sup>(2)</sup> . . . . .	N/A	\$15,320
Total capital <sup>(2)</sup> . . . . .	N/A	36,742
Risk-based capital surplus <sup>(2)</sup> . . . . .	N/A	21,422
<i>Minimum capital requirement plus 30% add-on</i> . . . . .	\$34,047	\$33,597
Core capital . . . . .	34,643	36,170
Surplus . . . . .	596	2,573

(1) OFHEO is the authoritative source of the capital calculations that underlie our capital classifications. The values for September 30, 2007 reflect the amounts we reported to OFHEO.

(2) OFHEO determines the amounts reported with respect to our risk-based capital requirement. Amounts for September 30, 2007 are not yet available.

Factors that could adversely affect the adequacy of our regulatory capital for future periods include declines in GAAP income; increases in our risk profile; changes in the economic environment, such as large interest-rate or implied volatility moves or home-price declines; changes in option-adjusted spreads; legislative or regulatory action that could increase capital requirements or changes in or adoption of new accounting standards. See *Note 1: Summary of Significant Accounting Policies — Recently Issued Accounting Standards, Not Yet Adopted* to our consolidated financial statements included in the Information Statement and the comparably captioned section in the November 20, 2007 Information Statement Supplement for more information. In particular, interest-rate levels or implied volatility can affect the amount of our core capital, even if we were economically well hedged against interest-rate changes, because certain gains or losses are recognized through GAAP earnings while other offsetting gains or losses may not be. Changes in option-adjusted spreads and credit spreads can also affect the amount of our core capital, because option-adjusted spreads are a factor in the valuation of our guaranteed mortgage portfolio and credit spreads impact our related credit items. For additional information, see *Risk Factors — Competitive and Market Risks — Higher credit losses and increased expected future credit costs could adversely affect our financial condition and/or results of operations* in the Information Statement.

## **Regulatory Capital Monitoring Framework**

In a letter dated January 28, 2004, OFHEO created a framework for monitoring our capital due to our higher operational risk, including our inability to produce timely financial statements in accordance with GAAP. The letter directed that we maintain a mandatory target capital surplus of 30% over our minimum capital requirement, subject to certain conditions and variations; that we submit weekly reports concerning our capital levels; and that we obtain prior approval of certain capital transactions.

Our failure to meet the mandatory target capital surplus would result in an OFHEO inquiry regarding the reason for such failure. If OFHEO were to determine that we had acted unreasonably regarding our compliance with the framework, as set forth in OFHEO's letter, OFHEO could seek to require us to submit a remedial plan or take other remedial steps.

In addition, under this framework, we are required to obtain prior written approval from the Director of OFHEO before engaging in certain capital transactions, as described above. We must also submit a written report to the Director of OFHEO after the declaration, but before the payment, of any dividend on our common stock. The report must contain certain information on the amount of the dividend, the rationale for the payment and the impact on our capital surplus.

This framework will remain in effect until the Director of OFHEO determines that it should be modified or expire. OFHEO's letter indicated that this determination would consider our resumption of timely financial and regulatory reporting that complies with GAAP, among other factors.

## **CERTAIN U.S. FEDERAL INCOME TAX CONSEQUENCES**

The Preferred Stock and payments on it are generally subject to taxation by the United States and other taxing jurisdictions to the same extent as stock of any other corporation. The following discussion addresses certain U.S. federal income tax consequences that may result from ownership of the Preferred Stock by an investor who holds the Preferred Stock as a capital asset.

This discussion does not discuss all of the U.S. federal income tax consequences that may be relevant to an investor in light of its particular circumstances or to an investor subject to special rules, such as certain financial institutions, insurance companies, certain former citizens or residents of the United States, traders in securities that elect to use a mark-to-market method of accounting for their securities holdings, dealers in securities, investors holding the Preferred Stock as part of a hedging transaction, straddle, conversion transaction or synthetic security transaction, investors whose functional currency is not the U.S. dollar, tax-exempt persons, or regulated investment companies.

This discussion does not purport to address all rules which may apply to particular investors. Investors are encouraged to consult their own tax advisors regarding the U.S. federal, state, local and foreign tax considerations applicable to an investment in the Preferred Stock.

This discussion reflects current U.S. federal income tax laws and Treasury regulations and administrative and judicial interpretations. Changes to any of these that occur after the date of this Offering Circular may affect the tax consequences that we describe herein.

For this purpose, a U.S. person is an individual who is a citizen or resident of the United States for U.S. federal income tax purposes, a corporation, partnership or other type of entity organized

under the laws of the United States or any state or the District of Columbia (other than a partnership that is not treated as a U.S. person under any applicable Treasury regulations), an estate whose income is subject to U.S. federal income tax regardless of its source, or a trust if a court within the United States is able to exercise primary supervision of the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust. Notwithstanding the preceding sentence, to the extent provided in Treasury regulations, certain trusts in existence on August 20, 1996, and treated as U.S. persons prior to such date, that elect to continue to be treated as U.S. persons, also will be U.S. persons. A non-U.S. person is an individual, corporation, estate or trust that is not a U.S. person.

## **U.S. Persons**

### *Dividends*

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

Dividends received by corporations generally will be eligible for the dividends-received deduction. The dividends-received deduction is available only with respect to a dividend received on stock held for more than 45 days (or more than 90 days in the case of a preferred stock dividend attributable to periods aggregating in excess of 366 days), including the day of disposition but not the day of acquisition. This holding period must be satisfied during the 91-day period (or the 181-day period in the case of a preferred stock dividend attributable to periods aggregating in excess of 366 days) beginning on the date which is 45 (90) days before the date on which the stock becomes ex-dividend with respect to the dividend. The length of time that a corporate shareholder is deemed to have held stock for these purposes is reduced for periods during which the shareholder's risk of loss with respect to the stock is diminished by reason of the shareholder's position in certain options, contracts to sell, short sales or other similar transactions. The amount of such deduction generally will equal 70 percent of the amount of the dividends received, subject to reduction in certain events, including where a holder has indebtedness outstanding that is directly attributable to an investment in the Preferred Stock. For this purpose, indebtedness is not directly attributable to an investment in the Preferred Stock merely because a depository institution receives deposits in the ordinary course of its business.

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

Dividends received by individuals generally are subject to a reduced maximum tax rate of 15 percent through December 31, 2010, after which date the rate applicable to dividends is scheduled to return to the rate generally applicable to ordinary income. The rate reduction does not apply to dividends received to the extent that the individual shareholder elects to treat the dividends as “investment income,” which may be offset against investment expenses. Furthermore, the rate reduction does not apply to dividends that are paid to individual shareholders with respect to Preferred Stock that is held for 60 days or less during the 121-day period beginning on the date which is 60 days before the date on which the Preferred Stock becomes ex-dividend. Individual shareholders should consult their own tax advisors regarding the implications of these rules in light of their particular circumstances.

#### *Dispositions, Including Redemptions*

Any sale, exchange, redemption (except as discussed below) or other disposition of the Preferred Stock generally will result in taxable gain or loss equal to the difference between the amount received and the shareholder’s adjusted tax basis in the Preferred Stock. Such gain or loss generally will be capital gain or loss and will be long-term capital gain or loss if the holding period for the Preferred Stock exceeds one year. Tax rates on capital gain for individuals vary depending on each individual’s income and holding period for the Preferred Stock. Long-term capital gain realized by individuals is subject to a reduced maximum tax rate of 15 percent through December 31, 2010, after which date the maximum rate is scheduled to return to the rate generally applicable to long-term capital gains. Individual shareholders should contact their own tax advisors for more information or for the capital gains tax rate applicable to specific shares of Preferred Stock.

Under Section 302 of the Internal Revenue Code of 1986 (the “Code”), however, a payment made in redemption of Preferred Stock may be treated as a dividend, rather than as payment in exchange for the Preferred Stock if the redemption (i) does not result in a “complete termination” of such holder’s equity interest in Freddie Mac and (ii) is “essentially equivalent to a dividend” with respect to the holder. In determining whether a payment made in redemption of Preferred Stock results in a “complete termination” or is “not essentially equivalent to a dividend,” the holder must take into account not only the Preferred Stock and other stock of Freddie Mac that it owns directly, but also the Preferred Stock and other stock of Freddie Mac that it constructively owns within the meaning of Section 318 of the Code.

A redemption payment made to a holder will result in a “complete termination” if either (i) the holder owns none of our stock either actually or constructively immediately after the Preferred Stock is redeemed or (ii) the holder actually owns none of our stock immediately after the redemption and, with respect to stock constructively owned, is eligible to waive, and effectively waives, constructive ownership of all such stock. A holder wishing to satisfy the “complete termination” test through waiver of attribution should consult its own tax advisors. A redemption payment made to a holder will be “essentially equivalent to a dividend” if it does not result in a “meaningful reduction” in the holder’s proportionate stock interest in the company. Because of the ambiguities in applying this rule, each holder should consult its own tax advisor to determine whether a payment made in redemption of Preferred Stock will be treated as a dividend or as payment in exchange for the Preferred Stock. If the redemption payment is treated as a dividend, the rules discussed above under *Dividends* apply.

### *Information Reporting and Backup Withholding*

Payments of dividends on shares of Preferred Stock held of record by U.S. persons other than corporations and other exempt holders are required to be reported to the Internal Revenue Service (the “IRS”).

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

### **Non-U.S. Persons**

#### *Dividends*

Generally, distributions treated as dividends as described above paid to a non-U.S. person with respect to the Preferred Stock will be subject to a 30% U.S. withholding tax, or such lower rate as may be specified by an applicable income tax treaty, unless the dividends are (i) effectively connected with a trade or business carried on by the non-U.S. person within the United States (and the non-U.S. person provides the payor with an IRS Form W-8ECI (or other applicable form)) and (ii) if an income tax treaty applies, attributable to a U.S. permanent establishment or, in the case of an individual, a fixed base maintained by the non-U.S. person. Dividends effectively connected with such trade or business, and, if an income tax treaty applies, attributable to such permanent establishment, will generally be subject to U.S. federal income tax on a net basis at applicable individual or corporate rates. A non-U.S. person that is a corporation may be subject to a “branch profits tax” at a 30% rate (or such lower rate as may be specified by an applicable income tax treaty) on the deemed repatriation from the United States of its “effectively connected earnings and profits,” subject to certain adjustments. Under applicable Treasury regulations, a non-U.S. person (including, in certain cases of non-U.S. persons that are entities, the owner or owners of such entities) will be required to satisfy certain certification requirements in order to claim a reduced rate of withholding pursuant to an applicable income tax treaty.

#### *Dispositions, Including Redemptions*

A non-U.S. person generally will not be subject to U.S. federal income or withholding tax on gain realized on the sale or exchange of the Preferred Stock so long as:

- the gain is not effectively connected with a U.S. trade or business of the holder (or, if a tax treaty applies, the gain is not attributable to a U.S. permanent establishment or, in the case of an individual, a fixed base maintained by such non-U.S. person); and
- in the case of a non-resident alien individual, such holder is not present in the United States for 183 or more days in the taxable year of the sale or disposition and certain other conditions are met.

### *Information Reporting and Backup Withholding*

Payment of dividends, and the tax withheld with respect thereto, is subject to information reporting requirements. These information reporting requirements apply regardless of whether

withholding was reduced or eliminated by an applicable income tax treaty or withholding was not required because the dividends were effectively connected with a trade or business in the United States conducted by the non-U.S. person. Copies of the information returns reporting such dividends and withholding may also be made available under the provisions of an applicable income tax treaty or agreement to the tax authorities in the country in which the non-U.S. person resides. U.S. backup withholding will generally apply on payment of dividends to non-U.S. persons unless such non-U.S. persons furnish to the payor an IRS Form W-8BEN (or other applicable form), or otherwise establish an exemption.

Payment by a U.S. office of a broker of the proceeds of a sale of the Preferred Stock is subject to both backup withholding and information reporting unless the non-U.S. person, or beneficial owner thereof, as applicable, certifies that it is a non-U.S. person on IRS Form W-8BEN (or other applicable form), or otherwise establishes an exemption. Subject to exceptions, backup withholding and information reporting generally will not apply to a payment of proceeds from the sale of the Preferred Stock if such sale is effected through a foreign office of a broker.

Any amount withheld under the backup withholding rules from a payment to a holder is allowable as a credit against such holder's U.S. federal income tax, which may entitle the holder to a refund, provided that the holder timely provides the required information to the IRS. Moreover, certain penalties may be imposed by the IRS on a holder who is required to furnish information but does not do so in the proper manner. Holders are urged to consult their own tax advisors regarding the application of backup withholding in their particular circumstances and the availability of and procedure for obtaining an exemption from backup withholding under current Treasury regulations.

### **Circular 230**

Any U.S. federal tax discussion included in this Offering Circular (1) is not intended or written to be used, and cannot be used, to avoid any U.S. federal tax penalties, and (2) was written to support the promotion or marketing of the transaction or matter addressed by this Offering Circular. Any taxpayer receiving this Offering Circular should seek advice from an independent tax advisor based on the taxpayer's particular circumstances.

## **LEGAL INVESTMENT CONSIDERATIONS**

You should consult your own legal advisors to determine whether the shares of Preferred Stock constitute legal investments for you and whether the shares of Preferred Stock can be used as collateral for borrowings. In addition, financial institutions should consult their legal advisors or regulators in determining the appropriate treatment of the shares of Preferred Stock under risk-based capital or similar rules.

If you are subject to legal investment laws and regulations or to review by regulatory authorities, you may be subject to restrictions on investing in the shares of Preferred Stock. Institutions regulated by the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, the National Credit Union Administration, the Department of the Treasury or any other federal or state agency with similar authority should review any applicable regulations, policy statements and guidelines before purchasing or pledging the shares of Preferred Stock.

## UNDERWRITING

### General

Under the terms of an underwriting agreement (the “**Underwriting Agreement**”), we have agreed to sell to the Underwriters named below, and the Underwriters, for whom Lehman Brothers Inc. and Goldman, Sachs & Co. are acting as representatives, have severally agreed to purchase from us, the shares of Preferred Stock opposite their names.

<u>Underwriter</u>	<u>Number of Shares of Preferred Stock</u>
Lehman Brothers Inc. ....	101,560,000
Goldman, Sachs & Co. ....	101,560,000
Bear, Stearns & Co. Inc. ....	16,240,000
Banc of America Securities LLC ....	3,440,000
Citigroup Global Markets Inc. ....	3,440,000
Credit Suisse Securities (USA) LLC ....	3,440,000
Deutsche Bank Securities Inc. ....	3,440,000
Morgan Stanley & Co. Incorporated ....	3,440,000
UBS Securities LLC ....	3,440,000
Total .....	<u>240,000,000</u>

The Underwriting Agreement requires the Underwriters to take and pay for all of the shares of Preferred Stock, if any are taken.

### Discounts

The Underwriters propose to offer a portion of the Preferred Stock directly to the public at the initial offering price shown on the cover page of this Offering Circular, plus accrued dividends, if any, from but not including December 4, 2007, and a portion to certain dealers at that price less a concession of not more than \$0.225 per share. The Underwriters may allow, and the dealers may realow, a concession of not more than \$0.100 per share on sales to certain brokers and dealers. After the initial offering of the shares, the Underwriters may vary the offering prices and other selling terms.

### Listing

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

### Stabilization

In connection with the offering, the Underwriters may purchase and sell the Preferred Stock in the open market. These transactions may include stabilizing transactions and purchases to cover syndicate short positions created in connection with the offering. Stabilizing transactions consist of certain bids or purchases for the purpose of preventing or retarding a decline in the market price of the Preferred Stock. Syndicate short positions involve the sale by the Underwriters of a greater

number of shares of Preferred Stock than they are required to purchase from us in the offering. The Underwriters also may impose a penalty bid, whereby selling concessions allowed to syndicate members or other broker-dealers for securities sold in the offering for their account may be reclaimed by the syndicate if such shares of Preferred Stock are repurchased by the Underwriters in stabilizing or covering transactions. These activities may stabilize, maintain or otherwise affect the market price of the Preferred Stock, which may be higher than the price that might otherwise prevail in the open market; and these activities, if commenced, may be discontinued at any time. These transactions may be effected in the over-the-counter market or otherwise.

## **Selling Restrictions**

### *European Union Area*

In relation to each member state of the European Economic Area (Iceland, Norway and Liechtenstein in addition to member states of the European Union) which has implemented the Prospectus Directive (each, a “relevant member state”), each underwriter has represented and agreed that with effect from and including the date on which the Prospectus Directive is implemented in that relevant member state (the “relevant implementation date”) it has not made and will not make an offer of Preferred Stock to the public in that relevant member state prior to the publication of a prospectus in relation to the Preferred Stock which has been approved by the competent authority in that relevant member state or, where appropriate, approved in another relevant member state and notified to the competent authority in that relevant member state, all in accordance with the Prospectus Directive, except that it may, with effect from and including the relevant implementation date, make an offer of Preferred Stock to the public in that relevant member state at any time:

- to legal entities which are authorized or regulated to operate in the financial markets or, if not so authorized or regulated, whose corporate purpose is solely to invest in securities;
- to any legal entity which has two or more of (1) an average of at least 250 employees during the last financial year, (2) a total balance sheet of more than €43,000,000 and (3) an annual net turnover of more than €50,000,000, as shown in its last annual or consolidated accounts;
- to fewer than 100 natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the representatives for such offer; or
- in any other circumstances which do not require the publication by us of a prospectus pursuant to Article 3 of the Prospectus Directive.

For the purposes of this provision, the expression an “offer of Preferred Stock to the public” in relation to any Preferred Stock in any relevant member state means the communication in any form and by any means of sufficient information on the terms of the offer and the Preferred Stock to be offered so as to enable an investor to decide to purchase or subscribe for the Preferred Stock, as the same may be varied in that member state by any measure implementing the Prospectus Directive in that member state and the expression “Prospectus Directive” means Directive 2003/71/EC and includes any relevant implementing measure in each relevant member state.

### *United Kingdom*

Each underwriter has represented and agreed that:

- it has only communicated or caused to be communicated and will only communicate or cause to be communicated an invitation or inducement to engage in investment activity within the meaning of Section 21 of the Financial Services and Markets Act 2000 (the “FSMA”) received by it in connection with the issue or sale of the Preferred Stock in circumstances in which Section 21(1) of the FSMA does not apply to us; and
- it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Preferred Stock in, from or otherwise involving the United Kingdom.

### *Hong Kong*

The Preferred Stock may not be offered or sold by means of any document other than (i) in circumstances which do not constitute an offer to the public within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), or (ii) to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder, or (iii) in other circumstances which do not result in the document being a “prospectus” within the meaning of the Companies Ordinance (Cap. 32, Laws of Hong Kong), and no advertisement, invitation or document relating to the Preferred Stock may be issued or may be in the possession of any person for the purpose of issue (in each case whether in Hong Kong or elsewhere), which is directed at, or the contents of which are likely to be accessed or read by, the public in Hong Kong (except if permitted to do so under the laws of Hong Kong) other than with respect to Preferred Stock which is or is intended to be disposed of only to persons outside Hong Kong or only to “professional investors” within the meaning of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong) and any rules made thereunder.

### *Japan*

The Preferred Stock has not been and will not be registered under the Securities and Exchange Law of Japan (the “**Securities and Exchange Law**”), and the underwriter has agreed that it will not offer or sell any Preferred Stock, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan (which term, as used herein, means any person resident in Japan, including any corporation or other entity organized under the laws of Japan), or to others for re-offering or resale, directly or indirectly, in Japan or to a resident of Japan, except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Securities and Exchange Law and any other applicable laws, regulations and ministerial guidelines of Japan.

### *Singapore*

This Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, this Offering Circular and any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Preferred Stock may not be circulated or distributed, nor may the Preferred Stock be offered or sold, or be made the subject of an invitation for subscription or purchase, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act,

Chapter 289 of Singapore (the “SFA”), (ii) to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Preferred Stock is subscribed or purchased under Section 275 by a relevant person which is: (a) a corporation (which is not an accredited investor) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or (b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary is an accredited investor, shares, debentures and units of shares and debentures of that corporation or the beneficiaries’ rights and interest in that trust shall not be transferable for 6 months after that corporation or that trust has acquired the Preferred Stock under Section 275 except: (1) to an institutional investor under Section 274 of the SFA or to a relevant person, or any person pursuant to Section 275(1A), and in accordance with the conditions, specified in Section 275 of the SFA; (2) where no consideration is given for the transfer; or (3) by operation of law.

### **Lock-Up Agreement**

For a period of 90 days after the date of this Offering Circular, Freddie Mac has agreed not to, without the prior written consent of Lehman Brothers Inc. and Goldman, Sachs & Co., directly or indirectly, sell, offer to sell, grant any option for the sale of or otherwise dispose of, or enter into any swap or any other agreement or any other transaction that transfers, in whole or in part, the economic consequences of ownership of any common or preferred stock or any security convertible into or exchangeable into or exercisable for stock in Freddie Mac (except for (i) the Preferred Stock offered hereby or (ii) the issuance of shares of common stock pursuant to reservations, agreements or compensation or benefit plans referred to in this Offering Circular or the documents incorporated by reference herein); provided, however, that Freddie Mac may, directly or indirectly, sell, offer to sell, grant any option for the sale of, or otherwise dispose of, or enter into any swap or any other agreement or any other transaction that transfers, in whole or in part, the economic consequences of ownership of, shares of any such stock or security within 90 days from the date of this Offering Circular without obtaining the prior written consent of Lehman Brothers Inc. and Goldman, Sachs & Co. if (i) Freddie Mac is specifically required to do so by OFHEO or by any law specifically requiring such sale, offer, grant or other disposition of Freddie Mac stock or securities (each, a “Mandatory Sale”) and (ii) prior to such Mandatory Sale and immediately upon receiving notice that such Mandatory Sale would be required, Freddie Mac shall provide Lehman Brothers Inc. and Goldman, Sachs & Co. with written notice setting out the details of such Mandatory Sale, including the authority requiring the sale, the anticipated sale date, the amount, number and type of shares involved, the type of offering and any other information deemed relevant by Freddie Mac.

### **Indemnification**

We and the Underwriters have agreed to indemnify each other against certain liabilities in connection with the offering and sale of the Preferred Stock and to contribute to any payments that the Underwriters may be required to make for these liabilities.

## **Conflicts**

Some of the Underwriters and dealers or their agents may engage in transactions with us and perform services for us in the ordinary course of business.

## **RATINGS**

We expect that Moody's will assign the Preferred Stock a rating of Aa3 and a rating outlook of negative. An issue which is rated "Aa" is considered by Moody's to be "of high quality" and "subject to very low credit risk." The numerical modifier "3" indicates that the issue ranks in the lower end of the generic rating category of "Aa." According to Moody's a "rating outlook is an opinion regarding the likely direction of a rating over the medium term."

We expect that S&P will assign the Preferred Stock a rating of AA- and a rating outlook of negative. An issue which is rated "AA" is considered by S&P to differ "from the highest-rated obligations only to a small degree." According to S&P, "the obligor's capacity to meet its financial commitment on the obligation is very strong." The modifier "-" indicates that the issue ranks in the lower end of the generic rating category "AA." According to S&P, a "rating outlook assesses the potential direction of a long-term credit rating over the intermediate term (typically six months to two years)"; a rating outlook of "negative" means that a rating may be lowered over this period.

We expect that Fitch will assign the Preferred Stock a rating of A+. An issue that is rated "A+" is considered by Fitch to be of "high credit quality." According to Fitch, this rating indicates that the "capacity for payment of financial commitments is considered strong." The modifier of "+" indicates that the issue ranks at the higher end of the major rating category of "A."

A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating organization.

## **INDEPENDENT ACCOUNTANTS**

The consolidated financial statements as of December 31, 2006 and December 31, 2005 and for each of the three years in the period ended December 31, 2006, incorporated by reference into this Offering Circular, have been audited by PricewaterhouseCoopers LLP, independent accountants, as stated in their report with respect thereto.

## **LEGAL MATTERS**

Kevin I. MacKenzie, Esq., Vice President and Deputy General Counsel — Securities, will render an opinion on the legality of the Preferred Stock. As of November 27, 2007, Mr. MacKenzie beneficially owned less than 0.01% of the outstanding shares of Freddie Mac's common stock. Shearman & Sterling LLP is special tax counsel to Freddie Mac on tax matters concerning the Preferred Stock. Sidley Austin LLP is representing the Underwriters on legal matters concerning the Preferred Stock.

**FREDDIE MAC****CERTIFICATE OF CREATION, DESIGNATION, POWERS,  
PREFERENCES, RIGHTS, PRIVILEGES, QUALIFICATIONS,  
LIMITATIONS, RESTRICTIONS, TERMS AND CONDITIONS****of****FIXED-TO-FLOATING RATE NON-CUMULATIVE PERPETUAL PREFERRED STOCK  
(Par Value \$1.00 Per Share)**

I, KEVIN I. MACKENZIE, Assistant Secretary of the Federal Home Loan Mortgage Corporation, a government-sponsored enterprise of the United States of America (“Freddie Mac” or the “Corporation”), do hereby certify that, pursuant to authority vested in the Board of Directors of Freddie Mac by Section 306(f) of the Federal Home Loan Mortgage Corporation Act, as amended (12 U.S.C. §1455(f)), the Board of Directors adopted Resolution FHLMC 2007-27 on November 26, 2007, which resolution is now, and at all times since such date has been, in full force and effect, and that the Chairman and Chief Executive Officer, pursuant to the authority delegated to him by such resolution, approved the final terms of the public issuance and sale of the preferred stock of Freddie Mac designated above.

The Fixed-to-Floating Rate Non-Cumulative Preferred Stock shall have the following designation, powers, preferences, rights, privileges, qualifications, limitations, restrictions, terms and conditions:

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

The class of preferred stock of Freddie Mac created hereby (the “Non-Cumulative Preferred Stock”) shall be designated “Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock,” shall have a par value of \$1.00 per share and shall consist of 240,000,000 shares. The Board of Directors shall be permitted to increase the authorized number of such shares at any time. The Non-Cumulative Preferred Stock shall rank prior to the Voting Common Stock of Freddie Mac (the “Common Stock”) to the extent provided in this Certificate and shall rank, as to both dividends and distributions upon liquidation, on a parity with (a) the 6.55% Non-Cumulative Preferred Stock issued on September 28, 2007, (b) the 6.02% Non-Cumulative Preferred Stock issued on July 24, 2007, (c) the 5.66% Non-Cumulative Preferred Stock issued on April 16, 2007, (d) the 5.57% Non-Cumulative Preferred Stock issued on January 16, 2007, (e) the 5.9% Non-Cumulative Preferred Stock issued on October 16, 2006, (f) the 6.42% Non-Cumulative Preferred Stock issued on July 17, 2006, (g) the Variable Rate, Non-Cumulative Preferred Stock issued on July 17, 2006, (h) the 5.81% Non-Cumulative Preferred Stock issued on January 29, 2002, (i) the 5.7% Non-Cumulative Preferred Stock issued on October 30, 2001, (j) the 6% Non-Cumulative Preferred Stock issued on May 30, 2001, (k) the Variable Rate, Non-Cumulative Preferred Stock issued on May 30, 2001 and June 1, 2001, (l) the 5.81% Non-Cumulative Preferred Stock issued on March 23, 2001, (m) the Variable Rate, Non-Cumulative Preferred Stock issued on March 23, 2001, (n) the Variable Rate, Non-Cumulative Preferred Stock issued on January 26, 2001, (o) the Variable Rate, Non-Cumulative Preferred Stock issued on November 5, 1999, (p) the 5.79% Non-Cumulative Preferred Stock issued on July 21, 1999, (q) the 5.1% Non-Cumulative Preferred Stock

issued on March 19, 1999, (r) the 5.3% Non-Cumulative Preferred Stock issued on October 28, 1998, (s) the 5.1% Non-Cumulative Preferred Stock issued on September 23, 1998, (t) the Variable Rate, Non-Cumulative Preferred Stock issued on September 23, 1998 and September 29, 1998, (u) the 5% Non-Cumulative Preferred Stock issued on March 23, 1998, (v) the 5.81% Non-Cumulative Preferred Stock issued on October 27, 1997, and (w) the Variable Rate, Non-Cumulative Preferred Stock issued on April 26, 1996 (collectively, the “Existing Preferred Stock”).

## **2. Dividends**

(a) For each Dividend Period from December 4, 2007 through December 31, 2012, holders of outstanding shares of Non-Cumulative Preferred Stock shall be entitled to receive, ratably, when, as and if declared by the Board of Directors, in its sole discretion, out of funds legally available therefor, non-cumulative cash dividends at the annual rate of 8.375%, or \$2.09375, per share of Non-Cumulative Preferred Stock. Dividends on the Non-Cumulative Preferred Stock shall accrue from but not including December 4, 2007 and will be payable when, as and if declared by the Board of Directors quarterly on March 31, June 30, September 30 and December 31 of each year (each, a “Dividend Payment Date”), commencing on March 31, 2008. If a Dividend Payment Date is not a “Business Day,” the related dividend will be paid not later than the next Business Day with the same force and effect as though paid on the Dividend Payment Date, without any increase to account for the period from such Dividend Payment Date through the date of actual payment. “Business Day” means a day other than (i) a Saturday or Sunday, (ii) a day on which New York City banks are closed, or (iii) a day on which the offices of Freddie Mac are closed.

If declared, the initial dividend, which will be for the period from but not including December 4, 2007 through and including March 31, 2008, will be \$0.67465 per share. Thereafter, through December 31, 2012, dividends will accrue from Dividend Period to Dividend Period at a rate equal to 8.375% divided by four; the amount of dividends payable in respect of any shorter period shall be computed on the basis of twelve 30-day months and a 360-day year. Except for the initial Dividend Payment Date, the “Dividend Period” relating to a Dividend Payment Date will be the period from but not including the preceding Dividend Payment Date through and including the related Dividend Payment Date.

(b) For the Dividend Period beginning on January 1, 2013 and for each Dividend Period thereafter, dividends will accrue from Dividend Period to Dividend Period at a variable per annum rate equal to the higher of (x) the sum of 3-Month LIBOR (as defined in clause (b) below) and 4.16% and (y) 7.875% per annum, with the resulting dividend per share being rounded to the nearest cent (with one-half cent being rounded up). Freddie Mac will calculate the dividend rate for each Dividend Period on and after January 1, 2013 based on 3-Month LIBOR determined as of two London Business Days (defined as any day, other than a Saturday or Sunday, on which banks are open for business in London) prior to the first day of such Dividend Period (each, a “LIBOR Determination Date”). The amount of each dividend payable for any Dividend Period beginning on or after January 1, 2013 shall be computed on the basis of the actual number of days elapsed during such period and a 360-day year.

(c) Each such dividend shall be paid to the holders of record of outstanding shares of the Non-Cumulative Preferred Stock as they appear in the books and records of Freddie Mac on such record date as shall be fixed in advance by the Board of Directors, not to be earlier than 45 days nor later than 10 days preceding the applicable Dividend Payment Date. No dividends shall be declared or

paid or set apart for payment on the Common Stock or any other class or series of stock ranking junior to or (except as hereinafter provided) on a parity with the Non-Cumulative Preferred Stock with respect to the payment of dividends unless dividends have been declared and paid or set apart (or ordered by the Board of Directors to be set apart) for payment on the outstanding Non-Cumulative Preferred Stock in respect of the then-current Dividend Period; provided, however, that the foregoing dividend preference shall not be cumulative and shall not in any way create any claim or right in favor of the holders of Non-Cumulative Preferred Stock in the event that Freddie Mac shall not have declared or paid or set apart (or the Board of Directors shall not have ordered to be set apart) dividends on the Non-Cumulative Preferred Stock in respect of any prior Dividend Period. In the event that Freddie Mac shall not pay any one or more dividends or any part thereof on the Non-Cumulative Preferred Stock, the holders of the Non-Cumulative Preferred Stock shall not have any claim in respect of such non-payment so long as no dividend is paid on any junior or parity stock in violation of the preceding sentence.

(d) “3-Month LIBOR” means, with respect to any Dividend Period beginning on or after January 1, 2013 (in the following order of priority):

(i) the rate (expressed as a percentage per annum) for Eurodollar deposits having a three-month maturity that appears on Reuters Screen LIBOR01 as of 11:00 a.m. (London time) on the related LIBOR Determination Date. “Reuters Screen LIBOR01” means the display designated as “Reuters Screen LIBOR01 Page” or such other page as may replace Reuters Screen LIBOR01 Page on that service or such other service or services as may be nominated by the British Bankers’ Association as the information vendor for the purpose of displaying London interbank offered rates for Eurodollar deposits. If at least two rates appear on the Reuters Screen LIBOR01, the rate on the LIBOR Determination Date will be the arithmetic mean of such rates;

(ii) if such rate does not appear on Reuters Screen LIBOR01 as of 11:00 a.m. (London time) on the related LIBOR Determination Date, Freddie Mac shall request the principal London offices of four leading banks in the London interbank market to provide such banks’ offered quotations (expressed as percentages per annum) to prime banks in the London interbank market for Eurodollar deposits having a three-month maturity as of 11:00 a.m. (London time) on such LIBOR Determination Date. If at least two quotations are provided, 3-Month LIBOR shall be the arithmetic mean (if necessary rounded upwards to the nearest whole multiple of 1/128 of 1%) of such quotations;

(iii) if fewer than two such quotations are provided as requested in clause (ii) above, Freddie Mac shall request four major New York City banks to provide such banks’ offered quotations (expressed as percentages per annum) to leading European banks for loans in Eurodollars as of 11:00 a.m. (New York time) on such LIBOR Determination Date. If at least two such quotations are provided, 3-Month LIBOR will be the arithmetic mean (if necessary rounded upwards to the nearest whole multiple of 1/128 of 1%) of such quotations; and

(iv) if fewer than two such quotations are provided as requested in clause (iii) above, 3-Month LIBOR shall be the 3-Month LIBOR determined with respect to the Dividend Period immediately preceding such current Dividend Period. If the applicable Dividend Period for which fewer than two such quotations are provided is the Dividend Period beginning on January 1, 2013, then 3-Month LIBOR will be the rate for Eurodollar deposits having a three-

month maturity that appeared, as of 11:00 a.m. (London time) on the most recent London Business Day preceding the LIBOR Determination Date for which the rate was displayed on Reuters Screen LIBOR01.

If the rate for Eurodollar deposits having a three-month maturity that initially appears on Reuters Screen LIBOR01 as of 11:00 a.m. (London time) on the related LIBOR Determination Date is superseded on Reuters Screen LIBOR01, by a corrected rate before 12:00 noon (London time) on such LIBOR Determination Date, such corrected rate as so substituted on the applicable page shall be the applicable 3-Month LIBOR for such LIBOR Determination Date. Freddie Mac shall act as calculation agent for the determination of 3-Month LIBOR and the dividend rate. In the absence of clear error, Freddie Mac's determination of 3-Month LIBOR and the dividend rate for the applicable Dividend Period will be final and binding.

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

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

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

### **3. Optional Redemption**

(a) The Non-Cumulative Preferred Stock may not be redeemed prior to December 31, 2012. Subject to the notice provisions set forth in Section 3(b) below and to any further limitations which may be imposed by law, Freddie Mac may redeem the Non-Cumulative Preferred Stock, in whole or in part, on December 31, 2012 and on each fifth anniversary thereafter, out of funds legally available therefor, at the redemption price of \$25.00 per share plus an amount, determined in accordance with Section 2(a) above, equal to the amount of the dividend, if any, otherwise payable for the Dividend Period that ends on the date of redemption, accrued through and including the date of such redemption, whether or not declared. If less than all of the outstanding shares of the Non-Cumulative Preferred Stock are to be redeemed, Freddie Mac shall select shares to be redeemed from the outstanding shares not previously called for redemption by lot or pro rata (as

nearly as possible) or by any other method which Freddie Mac in its sole discretion deems equitable. If Freddie Mac redeems the Non-Cumulative Preferred Stock, the dividend that would otherwise be payable for the Dividend Period ending on the date of redemption will be included in the redemption price of the shares redeemed and will not be separately payable.

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

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

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

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

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

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

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

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

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

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

(a) Except as otherwise set forth herein, upon the voluntary or involuntary dissolution, liquidation or winding up of Freddie Mac, after payment of or provision for the liabilities of Freddie Mac and the expenses of such dissolution, liquidation or winding up, the holders of the outstanding shares of the Non-Cumulative Preferred Stock shall be entitled to receive out of the assets of Freddie Mac available for distribution to stockholders, before any payment or distribution shall be

made on the Common Stock or any other class or series of stock of Freddie Mac ranking junior to the Non-Cumulative Preferred Stock upon liquidation, the amount of \$25.00 per share plus an amount, determined in accordance with Section 2(a) above, equal to the dividend, if any, otherwise payable for the then-current Dividend Period accrued through and including the date of payment in respect of such dissolution, liquidation or winding up, and the holders of the outstanding shares of any class or series of stock of Freddie Mac ranking on a parity with the Non-Cumulative Preferred Stock upon liquidation shall be entitled to receive out of the assets of Freddie Mac available for distribution to stockholders, before any such payment or distribution shall be made on the Common Stock or any other class or series of stock of Freddie Mac ranking junior to the Non-Cumulative Preferred Stock and to such parity stock upon liquidation, any corresponding preferential amount to which the holders of such parity stock may, by the terms thereof, be entitled; provided, however, that if the assets of Freddie Mac available for distribution to stockholders shall be insufficient for the payment of the amount which the holders of the outstanding shares of the Non-Cumulative Preferred Stock and the holders of the outstanding shares of such parity stock shall be entitled to receive upon such dissolution, liquidation or winding up of Freddie Mac as aforesaid, then, subject to paragraph (b) of this Section 7, all of the assets of Freddie Mac available for distribution to stockholders shall be distributed to the holders of outstanding shares of the Non-Cumulative Preferred Stock and to the holders of outstanding shares of such parity stock pro rata, so that the amounts so distributed to holders of the Non-Cumulative Preferred Stock and to holders of such classes or series of such parity stock, respectively, shall bear to each other the same ratio that the respective distributive amounts to which they are so entitled bear to each other. After the payment of the aforesaid amounts to which they are entitled, the holders of outstanding shares of the Non-Cumulative Preferred Stock and the holders of outstanding shares of any such parity stock shall not be entitled to any further participation in any distribution of assets of Freddie Mac.

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

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

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

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

## 9. Miscellaneous

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

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

(ii) on a parity with shares of the Non-Cumulative Preferred Stock, either as to dividends or distributions upon liquidation, whether or not the dividend rates or amounts, dividend payment dates or redemption or liquidation prices per share, if any, be different from those of the Non-Cumulative Preferred Stock, if the holders of such class or series shall be entitled to the receipt of dividends or of amounts distributable upon dissolution, liquidation or winding up of Freddie Mac, as the case may be, in proportion to their respective dividend rates or amounts or liquidation prices, without preference or priority, one over the other, as between the holders of such class or series and the holders of shares of the Non-Cumulative Preferred Stock; and

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

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

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

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

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

(f) This Certificate and the respective rights and obligations of Freddie Mac and the holders of the Non-Cumulative Preferred Stock with respect to such Non-Cumulative Preferred Stock shall be construed in accordance with and governed by the laws of the United States, provided that the law of the Commonwealth of Virginia shall serve as the federal rule of decision in all instances except

where such law is inconsistent with Freddie Mac's enabling legislation, its public purposes or any provision of this Certificate.

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

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

(i) Without the consent of the holders of the Non-Cumulative Preferred Stock, Freddie Mac may amend, alter, supplement or repeal any provision of this Certificate to cure any ambiguity, to correct or supplement any provision herein which may be defective or inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising under this Certificate, provided that such action shall not materially and adversely affect the interests of the holders of the Non-Cumulative Preferred Stock.

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

(iii) Holders of the Non-Cumulative Preferred Stock shall be entitled to one vote per share on matters on which their consent is required pursuant to subparagraph (ii) of this paragraph (h). In connection with any meeting of such holders, the Board of Directors shall fix a record date, neither earlier than 60 days nor later than 10 days prior to the date of such meeting, and holders of record of shares of the Non-Cumulative Preferred Stock on such record date shall be entitled to notice of and to vote at any such meeting and any adjournment.

The Board of Directors, or such person or persons as it may designate, may establish reasonable rules and procedures as to the solicitation of the consent of holders of the Non-Cumulative Preferred Stock at any such meeting or otherwise, which rules and procedures shall conform to the requirements of any national securities exchange on which the Non-Cumulative Preferred Stock may be listed at such time.

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

IN WITNESS WHEREOF, I have hereunto set my hand and the seal of Freddie Mac this 4<sup>th</sup> day of December, 2007.

[Seal]

---

Kevin I. MacKenzie, *Assistant Secretary*

---

---

If you intend to purchase the Preferred Stock, you should rely only on the information in this Offering Circular, including the information in the documents that we have incorporated by reference herein. We have not authorized anyone to provide you with different information.

This Offering Circular and the incorporated documents may not be correct after their dates.

We are not offering the Preferred Stock in any jurisdiction that prohibits its offer.

---

## TABLE OF CONTENTS

<u>Description</u>	<u>Page</u>
Additional Information . . . . .	2
Summary . . . . .	3
Forward-Looking Statements . . . . .	5
Freddie Mac . . . . .	8
Risk Factors . . . . .	9
Use of Proceeds . . . . .	16
Capitalization . . . . .	16
Selected Financial Data and Other	
Operating Measures . . . . .	18
Recent Developments . . . . .	19
Description of the Preferred Stock . . . . .	20
Regulatory Capital . . . . .	25
Certain U.S. Federal Income Tax	
Consequences . . . . .	28
Legal Investment Considerations . . . . .	32
Underwriting . . . . .	33
Ratings . . . . .	37
Independent Accountants . . . . .	37
Legal Matters . . . . .	37
Appendix A — Certificate of Designation . . .	A-1

---

---

240,000,000 Shares

# Freddie Mac

Fixed-to-Floating Rate  
Non-Cumulative  
Perpetual Preferred Stock  
(Liquidation Preference  
\$25.00 Per Share)



LEHMAN BROTHERS  
GOLDMAN, SACHS & CO.

BEAR, STEARNS & CO. INC.

BANC OF AMERICA SECURITIES LLC  
CITI  
CREDIT SUISSE  
DEUTSCHE BANK SECURITIES  
MORGAN STANLEY  
UBS INVESTMENT BANK

November 29, 2007

---

---