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Freddie Mac
8200 Jones Branch Drive
McLean, Virginia 22102

TO THE STOCKHOLDERS OF FREDDIE MAC

April 29, 2008

Dear Freddie Mac Stockholder:

We are pleased to invite you to attend Freddie Mac's annual stockholders' meeting, to be held on Friday, June 6, 2008, at 9:00 a.m. at the Freddie Mac campus, 8000 Jones Branch Drive, McLean, Virginia 22102. The Proxy Statement and Notice of Annual Meeting of Stockholders accompanying this letter describes the business to be transacted at the meeting. This Proxy Statement and the accompanying proxy card are first being mailed to stockholders on April 29, 2008.

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

Sincerely,

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

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

FEDERAL HOME LOAN MORTGAGE CORPORATION

PROXY STATEMENT AND NOTICE OF ANNUAL MEETING OF STOCKHOLDERS

Our annual meeting of stockholders will be held on Friday, June 6, 2008, at 9:00 a.m. at the Freddie Mac office located at 8000 Jones Branch Drive, McLean, Virginia 22102, for the purposes of:

- (1) electing 11 members to our Board of Directors, each for a term ending on the date of our next annual meeting;
- (2) ratifying the appointment by the Audit Committee of our Board of Directors of PricewaterhouseCoopers LLP as our independent auditors for the fiscal year ending December 31, 2008;
- (3) approving the amendment and restatement of the 2004 Stock Compensation Plan; and
- (4) transacting any other business that may properly come before the meeting or any adjournment thereof.

RECORD DATE

March 31, 2008 is the record date for the annual meeting. This means that owners of Freddie Mac common stock at the close of business on that date are entitled to receive notice of the meeting, and vote at the meeting or any meeting adjournment.

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

WHO MAY ATTEND THE MEETING

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

ANNUAL MEETING ADMISSION

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

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

WEBCAST OF THE MEETING

If you are not able to attend the meeting in person, you may listen to a live webcast of the meeting on the Internet by visiting <http://www.freddiemac.com/investors> at 9:00 a.m. on June 6, 2008. You will not be able to ask questions unless you attend the meeting in person.

SECURITY AND PARKING AT THE MEETING

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

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

Our Board of Directors recommends that you vote **“FOR”** the election of directors, the ratification of the appointment of our independent auditors and the amendment and restatement of the 2004 Stock Compensation Plan.

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

Our proxy tabulator, Computershare Trust Company N.A., must receive any proxy that will not be delivered in person to the annual meeting by 11:59 p.m., eastern time, on Thursday, June 5, 2008.

Unless you will be voting your shares in person at the annual meeting, you have the power to revoke a proxy at any time until 11:59 p.m. eastern time, on Thursday, June 5, 2008 by giving the Corporate Secretary of Freddie Mac written notice of your revocation or by submitting a later dated proxy. You may also revoke your proxy by voting your shares in person at the annual meeting.

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

By Order of the Board of Directors,



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

Dated: April 29, 2008
McLean, Virginia

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ABOUT THE MEETING

Who is soliciting my vote?

The Board of Directors of Freddie Mac is soliciting your vote on proposals being submitted to our annual meeting of stockholders to be held on June 6, 2008.

What am I voting on?

You will be voting on the following three items:

- election of 11 members to the Board;
- ratification of the appointment of PricewaterhouseCoopers LLP by the Audit Committee of our Board of Directors as our independent auditors for the fiscal year ending December 31, 2008; and
- approval of the amendment and restatement of the 2004 Stock Compensation Plan, or the 2004 Employee Plan.

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

Who is entitled to vote?

Holders of record of our common stock, par value \$0.21 per share, as of the close of business on March 31, 2008, the record date, are entitled to vote at the annual meeting. As of the record date, there were 646,531,619 votes that could be cast at the annual meeting by all stockholders, consisting of one vote for each share of Freddie Mac common stock outstanding as of that date. We have no other outstanding classes of stock that are entitled to vote at the annual meeting.

How many votes do I have?

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

How do I vote by proxy?

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

What if I hold shares indirectly?

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

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

About the Meeting

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

Can I change my vote after voting by proxy?

Yes. You can change or revoke your proxy through 11:59 p.m. eastern time, on Thursday, June 5, 2008, regardless of the method by which you previously cast your vote. You may also revoke your proxy by voting your shares in person at the annual meeting.

Can I vote in person at the annual meeting?

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

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

Your shares are counted as present at the annual meeting if you attend the meeting or if you properly return a proxy by mail, by telephone or by Internet. To conduct the meeting, a majority of our outstanding shares of common stock as of March 31, 2008 must be present in person or by proxy at the meeting. This is referred to as a quorum. Abstentions and broker or nominee non-votes will be counted for purposes of establishing a quorum at the annual meeting. See “Will my shares be voted if I do not return my proxy or attend the annual meeting?” below for more information on voting by brokers and nominees. If a quorum is not present, the meeting will be adjourned until a quorum is present. We urge you to vote by proxy even if you plan to attend the annual meeting so that we will know as soon as possible that enough votes will be present for us to hold the meeting.

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

The 11 nominees for director who receive the greatest number of “for” votes will be elected as directors. This number is called a plurality. Shares not voted will have no impact on the election of directors. If you properly return a proxy, your proxy will be voted “for” each of the nominees for director unless your proxy is marked “vote withheld” as to a particular nominee or nominees for director.

The ratification of the appointment of PricewaterhouseCoopers LLP as our independent auditors for the fiscal year ending December 31, 2008 and the approval of the amendment and restatement of the 2004 Employee Plan require a majority of the votes cast at the meeting to be voted “for” such proposals, provided that the total vote cast on the amendment and restatement of the 2004 Employee Plan proposal represents over 50% in interest of all securities entitled to vote on the proposal. A properly executed proxy marked “abstain” with respect to either proposal and a broker or nominee non-vote with respect to either proposal will not be counted as a vote cast on such proposal.

How will voting on any other business be conducted?

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

About the Meeting

Is my vote confidential?

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

Who will count the vote?

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

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

Your shares may be voted on certain types of proposals if they are held in the name of a brokerage firm or nominee, even if you do not provide the brokerage firm or nominee with voting instructions. Brokerage firms and nominees have the authority under the rules of the New York Stock Exchange, or NYSE, to vote shares for which their customers do not provide voting instructions on certain “routine” matters. The election of directors and the ratification of PricewaterhouseCoopers LLP as our independent auditors for fiscal year 2008 currently are considered routine matters for which brokerage firms and nominees may vote shares for which they have not received voting instructions. This is called a “broker vote.”

Under NYSE rules, your broker or nominee may not vote on the proposal relating to the amendment and restatement of the 2004 Employee Plan without your specific instructions.

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

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

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

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

- “for” the election of each of the 11 nominees for director named in this Proxy Statement;
- “for” the ratification of the appointment of PricewaterhouseCoopers LLP as our independent auditors for the fiscal year ending December 31, 2008;
- “for” the approval of the amendment and restatement of the 2004 Employee Plan; and
- in accordance with the best judgment of the named proxies on any other matters properly brought before the meeting.

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

Yes. If you vote electronically via the Internet, and hold your shares in street name, you may consent to electronic delivery of future Freddie Mac proxy statements, proxy cards and annual

About the Meeting

reports by responding affirmatively to the request for your consent when prompted. See “How do I sign up to receive proxy materials electronically?” below for additional information.

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

How do I sign up to receive proxy materials electronically?

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

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

What if I vote “abstain”?

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

What happens if the meeting is postponed or adjourned?

Your proxy will still be valid and may be voted at the postponed or adjourned meeting. You will still be able to change or revoke your proxy at any time before the polls are declared open at the annual meeting.

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

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

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

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

CORPORATE GOVERNANCE

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

Corporate Governance Guidelines

In March 2008, the Board adopted revised Corporate Governance Guidelines, or the Guidelines, which are available on our website at www.freddiemac.com/governance/pdf/gov_guidelines.pdf. Printed copies of the Guidelines also are available to any stockholder upon request to the Corporate Secretary, at the address specified below under “Contacting the Board.”

Director Independence

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

- With the exception of Richard F. Syron, our Chief Executive Officer, and Eugene M. McQuade, who was deemed to have resigned as a director effective September 1, 2007, all members of the Board who served as directors in 2007 and all nominees are independent within the meaning of both Section 303A.02 of the NYSE Listed Company Manual and the independence criteria set forth in Section 5 of our Guidelines. Additionally, except as disclosed for Jeffrey M. Peek and Jerome P. Kenney under “Transactions with Institutions Related to Directors” below, no member of the Board who served as a director in 2007 nor any nominee has a material relationship with Freddie Mac.
- All current members of the Audit Committee, the Compensation and Human Resources Committee, or the CHRC, and the Governance, Nominating and Risk Oversight Committee, or the GNROC, are, and members of the Board to be appointed to those committees effective June 6, 2008 will be, independent within the meaning of Section 303A.02 of the NYSE Listed Company Manual and Sections 4 and 5 of our Guidelines. All current members of the Audit Committee also are, and members of the Board to be appointed to the Audit Committee effective June 6, 2008 also will be, independent within the meaning of Rule 10A-3 promulgated under the Securities Exchange Act of 1934, as amended, or the Exchange Act, and Section 303A.06 of the NYSE Listed Company Manual.

In making the foregoing independence determinations, as required under our Guidelines, the non-employee directors considered the relationship between Freddie Mac and the National Housing Conference, or NHC, where Mr. Retsinas was a member of the board of trustees and the board of governors until December 2007, and between Freddie Mac and the National Housing Endowment, or NHE, where Mr. Retsinas is currently a member of the board of trustees. Freddie Mac made contributions to NHC in 2006 and to NHE in 2004 and 2005 that, in each case, exceeded the greater of \$100,000 or two percent of NHC’s and NHE’s gross revenues, respectively, for those years. The contribution to NHC in 2006 was \$511,000 and the contributions to NHE in 2004 and 2005 were \$200,000 and \$375,000, respectively. Because Freddie Mac’s relationship with NHC and NHE preceded the Board’s initial consideration of Mr. Retsinas as a director candidate, and given the nature of Freddie Mac’s relationship and Mr. Retsinas’ affiliation with both NHC

and NHE, including the fact that Mr. Retsinas does not hold an executive position at either NHC or NHE, the non-employee directors have determined that the relationships were not material and do not impair Mr. Retsinas' independence. Freddie Mac's contributions to NHE inadvertently were not communicated by management to or considered by the non-employee directors in connection with their previous determination of Mr. Retsinas' independence at the time of his initial nomination as a director candidate in 2007, and the non-employee directors therefore have re-evaluated and ratified that determination in light of the NHE contributions.

Mr. Syron is Chief Executive Officer of Freddie Mac as well as Chairman of the Board. Because Mr. Syron is an employee of Freddie Mac, he is not independent under the Guidelines or the NYSE Listed Company Manual.

Director Qualifications

OFHEO's corporate governance regulations and the Guidelines impose a term limit of ten years and a retirement age of 72 for directors. We do not have any directors who have served longer than ten years or who have reached 72 years, except for Shaun O'Malley, who will be 72 years old at the time of the annual meeting and will retire from the Board effective as of the end of his current term.

Audit Committee Financial Expert

We have a standing Audit Committee that satisfies the "audit committee" definition under Section 3(a)(58)(A) of the Exchange Act, the requirements of Rule 10A-3 promulgated under the Exchange Act and Sections 303A.06 and 303A.07 of the NYSE Listed Company Manual. The current members of the Audit Committee are Robert R. Glauber, Richard Karl Goeltz, Thomas S. Johnson, Shaun F. O'Malley and Stephen A. Ross.

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

Codes of Conduct

We have separate codes of conduct applicable to employees and to Board members that outline the principles, policies and laws governing their activities. The employee and Board codes were last revised effective February 25, 2008. Upon joining Freddie Mac or its Board, all employees and directors, respectively, are required to sign acknowledgements that they have read the applicable code and agree to abide by it. In addition, all employees and directors must respond to an annual questionnaire concerning code compliance. The employee code also serves as the code of ethics for

senior executives and financial officers required by the Sarbanes-Oxley Act and SEC regulations. Copies of our employee and director codes of conduct are available, and any amendments or waivers that would be required to be disclosed are posted, on our website at www.freddiemac.com. Printed copies of the codes of conduct also are available to any stockholder upon request to the Corporate Secretary, at the address specified below under “Contacting the Board.”

Chairman of the Board

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

Under the terms of Mr. Syron’s amended employment agreement, Mr. Syron has agreed to serve as Chief Executive Officer until the appointment of a successor, at which time Mr. Syron will cease to be Chief Executive Officer and will become Executive Chairman of the Board through December 31, 2009. Mr. Syron has agreed to actively assist us in recruiting and retaining his successor as Chief Executive Officer. For more information about Mr. Syron’s employment agreement, see “Executive Compensation — Employment and Separation Agreements — *Richard F. Syron*” below.

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

Lead Director

The bylaws provide for the position of Lead Director, whose responsibilities include assisting the Chairman of the Board in scheduling and developing the agenda and agenda material for Board meetings; chairing meetings of the Board held among the non-employee directors; and, as Chairman of the GNROC (unless another director is chosen by the Board to serve as Chair of the GNROC), leading the GNROC in reviewing the Board’s governance procedures and policies, including developing recommendations concerning the memberships and chairs of the Board committees and revisions to the committee charters. The Lead Director is elected annually by a majority of the non-employee directors at the Board meeting following the annual meeting. Mr. O’Malley is currently the Lead Director. Mr. O’Malley’s term as Lead Director will end when he retires from the Board effective as of the end of his current term. If the Chairman is an independent director, the non-employee directors may nominate another independent director to serve as Lead Director. If they do not do so, the Chairman will serve as Lead Director. We will announce the results of the election of the Lead Director following his or her election.

Contacting the Board

To contact our Board, please send your comments in writing to Corporate Secretary, Freddie Mac, 8200 Jones Branch Drive, McLean, Virginia 22102. All comments or complaints relating to our accounting, internal accounting controls or auditing matters will be forwarded to the Chair of the Audit Committee, for treatment in a manner consistent with the Audit Committee’s complaint policy for such matters, and to the Lead Director. All other comments will be forwarded to the Lead Director. Comments indicating that they are to be submitted to the Lead Director or to the Audit Committee Chair anonymously or confidentially will be treated accordingly. You will receive

a written acknowledgement from the Corporate Secretary upon receipt of your comment, unless it is anonymous. Please refer to our website at www.freddiemac.com for more information on our Board and how to contact our Board members.

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

We expect our directors and officers to own our common stock. A significant portion of director and executive compensation is paid in common stock, as described in greater detail in “Proposal 1: Election of Directors — Board Compensation” and “Compensation Discussion and Analysis” below. We believe that stock ownership by our directors and executive officers aligns their interests with the long-term interests of our stockholders.

Beneficial Ownership. Our only class of voting stock is our common stock. The following table shows the beneficial ownership of our common stock as of April 1, 2008 by our current directors, director nominees, all named executive officers (as that term is defined in “Executive Compensation — Compensation Tables — *Summary Compensation Table*” below), all of our directors and executive officers as a group, and holders of more than 5% of our common stock. Beneficial ownership is determined in accordance with SEC rules for computing the number of shares of common stock beneficially owned by a person and the percentage ownership of that person. As of April 1, 2008, each director, director nominee and named executive officer, and all of our directors and executive officers as a group, owned less than 1% of our outstanding common stock. The information presented below is based on information provided to us by the individuals or entities specified in the table.

As of April 1, 2008

Name	Position	Common Stock Beneficially Owned Excluding Stock Options*	Stock Options Exercisable Within 60 Days of April 1, 2008	Total Common Stock Beneficially Owned*
Barbara T. Alexander	Director	1,596	3,177	4,773
Geoffrey T. Boisi	Director	7,900	3,177	11,077
Patricia L. Cook	EVP, Chief Business Officer	27,334 ⁽¹⁾	52,022	79,356
Michelle Engler	Director	11,076 ⁽²⁾	8,758	19,834
Robert R. Glauber	Director	364 ⁽³⁾	455	819
Richard Karl Goeltz	Director	11,410 ⁽⁴⁾	8,377	19,787
Thomas S. Johnson	Director	15,450 ⁽⁵⁾	5,656	21,106
Jerome P. Kenney	Director nominee	0	0	0
William M. Lewis, Jr.	Director	7,645 ⁽⁶⁾	3,177	10,822
Michael C. May	SVP, Multifamily Sourcing	25,500 ⁽⁷⁾	44,677	70,177
Eugene M. McQuade	Former President and Chief Operating Officer; Former Director	48,783 ⁽⁸⁾	0	48,783
Shaun F. O'Malley**	Lead Director	8,512 ⁽⁹⁾	9,083	17,595
Michael Perlman	EVP, Operations and Technology	99	0	99
Anthony S. Pizsel	EVP and Chief Financial Officer	18,746 ⁽¹⁰⁾	0	18,746
Nicolas P. Retsinas	Director	2,381	0	2,381
Stephen A. Ross	Director	27,112 ⁽¹¹⁾	15,449	42,561
Joseph A. Smialowski	Former EVP, Operations and Technology	0 ⁽¹²⁾	0	0
Richard F. Syron	Chairman of the Board and Chief Executive Officer	216,810 ⁽¹³⁾	323,479	540,289
All directors and executive officers as a group (25 persons) ⁽¹⁴⁾		501,061 ⁽¹⁵⁾	528,567	1,029,628

5% Holder***	Common Stock Beneficially Owned	Percent of Class
Capital Research Global Investors 333 South Hope Street Los Angeles, CA 90071-1406	60,678,100 ⁽¹⁶⁾	9.4%
Capital World Investors 333 South Hope Street Los Angeles, CA 90071-1406	42,545,600 ⁽¹⁷⁾	6.6%
AXA Financial, Inc. 1290 Avenue of the Americas New York, NY 10104	36,630,015 ⁽¹⁸⁾	5.7%

* Includes shares of stock beneficially owned as of April 1, 2008. Also includes restricted stock units, or RSUs, vesting within 60 days of April 1, 2008. An RSU represents a conditional contractual right to receive one share of Freddie Mac common stock at a specified future date. See “Board Compensation — Equity Compensation” and “Compensation Discussion and Analysis” below for more information.

** Mr. O'Malley will retire from the Board effective as of the end of his current term.

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

- (1) Includes 4,412 RSUs.
- (2) Includes 2,458 RSUs and 360 dividend equivalents on RSUs.
- (3) Includes 356 RSUs and 8 dividend equivalents on RSUs.
- (4) Includes 3,788 RSUs and 364 dividend equivalents on RSUs.
- (5) Includes 2,609 RSUs and 145 dividend equivalents on RSUs.
- (6) Includes 1,535 RSUs and 73 dividend equivalents on RSUs.
- (7) Includes 1,382 RSUs.
- (8) Figures are based on our records as of April 1, 2008. Includes 0 RSUs.
- (9) Includes 1,434 RSUs and 66 dividend equivalents on RSUs.
- (10) Includes 0 RSUs.
- (11) Includes 6,134 RSUs and 826 dividend equivalents on RSUs.
- (12) Figures are based on our records as of April 1, 2008. Includes 0 RSUs.
- (13) Includes 19,412 RSUs.
- (14) In addition to the persons shown in the table, this group includes our Executive Vice President, General Counsel and Corporate Secretary; our Executive Vice President, Human Resources and Corporate Services; our Senior Vice President, General Auditor; our Senior Vice President, Corporate Controller and Principal Accounting Officer; our Senior Vice President, Chief Enterprise Risk Officer; our Senior Vice President, External Relations; our Senior Vice President, Single Family Sourcing; and our Senior Vice President and Chief Compliance Officer.
- (15) Includes 48,966 RSUs and 1,842 dividend equivalents on RSUs.
- (16) Based on a review of beneficial ownership reports as of December 31, 2007 that are filed with us and that are the equivalent of Schedule 13G and 13D reports filed with the SEC, and in reliance on updates to those reports based on a review of Form 13F filings with the SEC, as of December 31, 2007, Capital Research Global Investors, 333 South Hope Street, Los Angeles, CA 90071-1406, beneficially owned 60,678,100 shares, with sole voting power as to 31,393,350 shares and sole dispositive power as to 60,678,100 shares.
- (17) Based on a review of beneficial ownership reports as of December 31, 2007 that are filed with us and that are the equivalent of Schedule 13G and 13D reports filed with the SEC, and in reliance on updates to those reports based on a review of Form 13F filings with the SEC, as of December 31, 2007, Capital World Investors, 333 South Hope Street, Los Angeles, CA 90071-1406, beneficially owned 42,545,600 shares, with sole voting power as to 6,022,700 shares and sole dispositive power as to 42,545,600 shares.
- (18) Based on a review of beneficial ownership reports as of December 31, 2007 that are filed with us and that are the equivalent of Schedule 13G and 13D reports filed with the SEC, and in reliance on updates to those reports based on a review of Form 13F filings with the SEC, as of December 31, 2007, AXA Financial, Inc., 1290 Avenue of the Americas, New York, New York 10104, beneficially owned 36,630,015 shares, with sole voting power as to 29,609,379 shares, shared voting power as to 1,552,606 shares, sole dispositive power as to 36,629,979 shares and shared dispositive power as to 36 shares.

PROPOSAL 1: ELECTION OF DIRECTORS

Director Nomination Process

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

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

The GNROC considers all nominations submitted by stockholders that meet the eligibility requirements outlined in our bylaws. As required by our bylaws, stockholder nominations of candidates for election as directors must be submitted in writing to the Corporate Secretary, Freddie Mac, 8200 Jones Branch Drive, McLean, Virginia 22102, no fewer than 75 days prior to the date of the annual meeting. Due to the timing of this annual meeting, and as announced in our press release dated February 4, 2008, the deadline for stockholder nominations of candidates for election as directors was March 24, 2008. We have not received any stockholder nominations of candidates for election as directors for this annual meeting. For information on what must be included in the written notice to nominate a candidate for election at the next annual meeting of stockholders, see "Stockholder Proposals and Nominations for Next Annual Meeting of Stockholders" below.

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

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

Nominees for Election

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

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

The Board has nominated the persons named below for election at this annual meeting to serve until the next annual meeting. Each of the persons named below is nominated for reelection at this meeting, except for Jerome P. Kenney, who is being nominated for election to the Board for the first time at this meeting. Mr. Kenney was identified as a potential candidate by a third-party search firm retained to assist the GNROC in its search for possible director candidates. The evaluation of the suitability of Mr. Kenney as a director of Freddie Mac was performed by the GNROC.

There will be seven vacancies on the Board of Directors after the meeting. As indicated above, there are no nominees for the five directors to be appointed by the President of the United States. Also, there are two fewer nominees for director than the number of directors to be elected by stockholders under our enabling legislation and our bylaws because we are still engaged in the process of identifying appropriate and qualified candidates to fill those positions. If we find a qualified individual with appropriate skills to fill either of the vacancies, then we anticipate that, following the GNROC's recommendation of any such candidate to serve as a director, the Board will appoint the person to fill the vacancy. The stockholders will not elect such candidates because, under our bylaws, a vacancy on the Board may be filled by the affirmative vote of the majority of the directors then serving as directors. A director who is appointed by the Board to fill a vacancy on the Board will serve as a director until the next annual meeting of stockholders.

The Board expects each of its current members and each nominee, and any future Presidential appointee, to attend any Freddie Mac annual stockholders' meeting at which such person is standing for election or reelection or will begin a term as a Presidential appointee to the Board. Eight of the 10 nominees for reelection to the Board attended the June 8, 2007 annual meeting. Ms. Alexander and Mr. Retsinas did not attend the June 8, 2007 annual meeting due to prior commitments made before the meeting date was set. If any of the 11 nominees becomes unavailable for election, either because such nominee is unable or unwilling to serve as a director on the date of the annual meeting or any adjournment of the meeting, the proxies received on behalf of that nominee will be voted for a substitute nominee. The Board has no reason to believe that any of the nominees will be unable or unwilling to serve if elected.

Unless stockholders specify otherwise in their proxies, proxies solicited by the Board will be voted "for" each of the 11 nominees for election named in this Proxy Statement. The 11 nominees who receive the greatest number of votes will be elected. No stockholder is entitled to cumulate his or her votes in the election of directors. Your proxy may not be voted for a greater number of persons than the 11 nominees named.

We recommend that you vote *for* each of the 11 nominees.

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



BARBARA T. ALEXANDER

Director since 2004

Age 59

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



GEOFFREY T. BOISI

Director since 2004

Age 60

Mr. Boisi has been Chairman and Chief Executive Officer of Roundtable Investment Partners LLC, a private investment management firm, since January 2008, and prior to that served as Chairman and Senior Partner since March 2005. From 2000 to May 2002, Mr. Boisi was Vice Chairman of JP Morgan Chase, where he served as Co-Chief Executive Officer of JP Morgan, the firm's investment bank, and was a member of JP Morgan Chase's executive and management committees. From 1993 to 2000, he was the founding Chairman and Senior Partner of The Beacon Group, a merger and acquisition advisory and private investment firm. From 1971 to 1993, Mr. Boisi held various positions at Goldman Sachs & Company, including senior general partner, member of the firm's management committee and head of the investment banking business.



MICHELLE ENGLER

Director since 2001

Age 50

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



ROBERT R. GLAUBER

Director since 2006

Age 69

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



RICHARD KARL GOELTZ

Director since 2003

Age 65

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



THOMAS S. JOHNSON

Director since 2004

Age 67

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



JEROME P. KENNEY

Director Nominee

Age 66

Since his retirement from Merrill Lynch & Co., Inc. in January 2008, Jerome P. Kenney has served as a consultant for Merrill Lynch, as senior advisor, and holds the honorary position of vice chairman emeritus. Prior to retiring from Merrill Lynch, he served as vice chairman and member of the Executive Client Coverage Group from January 2003 until January 2008. Mr. Kenney was a member of the Executive Management Committee for over 20 years. From 1990 until February 2002, he served as head of Corporate Strategy, M&A and Research and also oversaw Corporate Credit, Marketing and Government Relations. Previously, he served as president and chief executive officer of the Merrill Lynch Capital Markets Group worldwide from 1984, and as a member of the board of directors from 1985 to 1991. He also served earlier as director of Securities Research, director of Institutional Sales and Marketing and head of Investment Banking. He is a director of Invesco Ltd., where he is a member of the Audit Committee, the Compensation Committee and the Nomination and Corporate Governance Committee; and a director of Och-Ziff Capital Management Group, where he is a member of the Compensation Committee and the Nominating, Corporate Governance and Conflicts Committee.



WILLIAM M. LEWIS, JR.

Director since 2004

Age 51

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



NICOLAS P. RETSINAS

Director since 2007

Age 61

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



STEPHEN A. ROSS

Director since 1998

Age 64

Mr. Ross has been the Franco Modigliani Professor of Financial Economics at the Massachusetts Institute of Technology since 1998 and has been, and continues to be, a consultant to a number of investment banks and major corporations. He also has been Chairman and Chief Executive Officer of Compensation Valuation, Inc., a company specializing in the valuation of complex option contracts and option valuation services, since April 2003; a member of the Advisory Council of Taconic Capital Partners LLC, an event-driven hedge fund, since January 2004; a director of IV Capital Ltd., a London-based investment company, since May 1998; and Chairman of the Investment Advisory Board of IVC International since July 2004. Mr. Ross also was Co-Chairman of Roll and Ross Asset Management Corporation, an investment management company, from 1986 to July 2004. He previously was the Sterling Professor of Economics and Finance at Yale University from 1976 to 1998, and a Professor of Economics and Finance at the Wharton School of the University of Pennsylvania. Mr. Ross is a member of the Board of Trustees of the California Institute of Technology. He served as a CREF trustee from 1991 to 2004 and as a director of General Re Corporation from 1993 to 1998.



RICHARD F. SYRON

Director since 2003

Age 64

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

Meetings of the Board and Committees

The Board met 13 times in 2007 and 5 times during the period from January 1, 2008 through April 22, 2008. During 2007, each of the current directors attended at least 75% of the meetings of the Board and committees on which he or she served, and the non-employee directors met regularly in executive session without management.

The five current standing Board committees are the Audit Committee, the CHRC, the Finance and Capital Deployment Committee, the GNROC and the Mission, Sourcing and Technology Committee. The charters of the Finance and Capital Deployment Committee and the GNROC were last revised in March 2008, and the charters of each of the other current standing committees were last revised in March 2007. All the charters of the standing committees are available on our website at www.freddiemac.com/governance/bd_committees.html. Printed copies also are available to any stockholder upon request to the Corporate Secretary, at the address specified above under “Contacting the Board.”

In addition to these standing committees, a Special Derivative Litigation Committee, or the SDLC, was created by the Board in December 2003 to investigate allegations and claims relating to the company’s financial restatements made in stockholder derivative litigation against certain current and former executive officers and directors. The SDLC was dissolved by the Board in April 2007 because the 2003 stockholder derivative litigation had been resolved. In January 2008, the Board formed a Special Litigation Committee, or the SLC, to conduct a review and evaluation of allegations and claims set forth in stockholder demand letters received in November and December 2007 in connection with the company’s losses in the third quarter of 2007. The letters demand that Freddie Mac commence legal proceedings against certain current and former directors and officers of Freddie Mac, Freddie Mac’s independent auditors and other parties and that the company implement corrective measures. One of the stockholders who submitted these demand letters has subsequently filed a derivative action on behalf of Freddie Mac. In March 2008, the company received another stockholder derivative demand letter containing essentially the same allegations as those made in the November and December 2007 letters. The SLC will consider the claims raised in the derivative action and all three demand letters.

Proposal 1: Election of Directors

The membership of current Board members on each committee, along with the number of times each committee met in 2007 and during the period January 1, 2008 through April 22, 2008, is shown in the table below.

<u>Director</u>	<u>Audit</u>	<u>CHRC</u>	<u>Finance and Capital Deployment</u>	<u>GNROC</u>	<u>Mission, Sourcing and Technology</u>	<u>SDLC</u>	<u>SLC</u>
B. Alexander ⁽¹⁾		✓		✓	Chair		
G. Boisi		Chair		✓	✓		
M. Engler		✓			✓	Chair	Chair
R. Glauber	✓		✓				✓
R. Goeltz	Chair		✓	✓			
T. Johnson	✓	✓		✓		✓	
W. Lewis			✓		✓		
S. O'Malley	✓	✓		Chair			
N. Retsinas ⁽²⁾			✓		✓		✓
S. Ross	✓		Chair	✓		✓	
R. Syron ⁽³⁾							
2007 Meetings ⁽⁴⁾	13	8	7	9	6	0	0 ⁽⁵⁾
2008 Meetings ⁽⁶⁾	9	4	4	3	2	0 ⁽⁷⁾	1

(1) Ms. Alexander became chairperson of the Mission, Sourcing and Technology Committee in June 2007 upon the retirement of Ronald F. Poe, a former director. She served on the Finance and Capital Deployment Committee until January 1, 2008 after which she joined the CHRC.

(2) Mr. Retsinas was elected to the Board at the annual meeting in June 2007.

(3) Mr. Syron is not a member of any committee.

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

(5) The SLC was not formed until January 2008 and therefore no meetings were held in 2007.

(6) Includes two joint meetings of the Audit Committee and the Finance and Capital Deployment Committee and one joint meeting of the Audit Committee and the CHRC.

(7) The SDLC was dissolved in April 2007 and therefore no meetings were held in 2008.

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

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

taken to monitor and control such exposures. The committee's specific responsibilities with respect to its oversight of our internal auditors include: to hire, determine the compensation of, evaluate the performance of and decide whether to retain our Senior Vice President — General Auditor; to approve and evaluate the annual plan, budget, organization and staffing for the internal auditors, including amendments to such plan or budget; and to assess, at least annually, the effectiveness of the internal auditors. The committee also conducts an annual evaluation of its own performance, including its oversight responsibilities described above.

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

The CHRC's primary responsibility is to oversee our executive compensation program. The executive officers for whom the CHRC has compensation-setting authority include our Chief Executive Officer, Chief Financial Officer, principal accounting officer, any officer in charge of a principal business unit, division, or function, any other officer who performs a significant policy-making function, as determined by the CHRC, and any other officer at the level of Senior Vice President or above whose target total compensation exceeds \$2 million. An independent compensation consultant, currently Hewitt Associates LLC ("Hewitt"), is retained by the CHRC to assist in the review and establishment of compensation for this group and reports directly to the CHRC on these matters.

The CHRC's specific responsibilities include: in consultation with senior management and the committee's independent consultant, to approve our executive compensation philosophy; to approve the compensation of our executive officers, including approving the goals and objectives relevant to determining the compensation of the Chief Executive Officer, evaluating the Chief Executive Officer's performance in light of those goals and objectives and such other factors as the CHRC deems relevant, and using that evaluation for purposes of determining the Chief Executive Officer's compensation; to approve cash incentive plans for non-executive officers; to review, approve, amend and/or terminate any stock-based compensation or benefit plan and any retirement plan, including our pension plan and thrift plan; to review the management of our human resources; to review plans, policies and procedures for management succession; and to conduct an annual evaluation of the CHRC's performance.

In addition, under the CHRC's charter, the CHRC Chair may approve any executive compensation action where competitive circumstances preclude delaying approval to the next CHRC meeting, provided that the Chair reports to the CHRC on such action at its next regularly scheduled meeting.

The CHRC's purposes, duties and responsibilities under its charter include those specified in the NYSE Listed Company Manual for compensation committees. For more information, see "Compensation Discussion and Analysis — Role of Executive Officers and the Compensation Consultant" below.

The Finance and Capital Deployment Committee's primary functions are: to review our capital requirements, management, allocation and plan; to recommend dividends on, and issuances and repurchases of, our common and preferred stock for approval by the Board; to monitor our debt and mortgage-related securities activities; to monitor our investment, funding, liquidity and hedging strategies and activities; to monitor our asset/liability management techniques; to monitor and approve certain enterprise risk metrics and limits; to meet in joint session with the Audit Committee

to review Freddie Mac's major financial risk exposures and the steps management has taken to monitor and control such exposures; and to conduct an annual evaluation of the committee's performance.

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

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

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

The Special Litigation Committee's primary function is to conduct a review and evaluation of allegations and claims set forth in the derivative action and in all three stockholder demand letters and derivative litigation and to determine what actions should be taken in connection with such allegations and claims.

Board Compensation

Each year, the Board reviews compensation for our non-employee directors. The components of our non-employee director compensation are cash fees and stock awards. The Board believes that appropriate compensation levels help attract and retain superior candidates for Board service and that director compensation, supported by our non-employee director stock ownership guidelines, which are discussed in greater detail below, should be weighted toward stock-based compensation to enhance alignment with the interests of our stockholders. Stock-based compensation currently constitutes approximately 50% of director compensation. As of March 3, 2007, all stock-based

compensation for non-employee directors is in the form of grants of RSUs. Prior to March 3, 2007, the annual equity grant to non-employee directors consisted of a mix of stock options and RSUs.

We do not have any pension or retirement plans for our non-employee directors. Employee directors do not receive any compensation for their Board service.

The following table shows the cash and equity compensation levels that were in effect in 2007, which remain in effect currently.

2007 Non-Employee Director Compensation Levels

Board Service

Cash Compensation	
Annual Retainer	\$ 60,000
Annual Supplemental Retainer for Lead Director	100,000
Per Meeting Fee	1,500
Initial and Annual Equity Compensation ⁽¹⁾	
RSUs	\$120,000

Committee Service (Cash)

Annual Retainer for Committee Chair (other than Audit)	\$ 10,000
Annual Retainer for Audit Committee Chair	30,000
Per Meeting Fee (other than Audit)	1,500
Per Meeting Fee for Audit Committee Members	3,000
Per Interview Fee for Director Recruiting	1,500
Per Interview Fee for Litigation-Related Interviews ⁽²⁾	1,500

Supplemental Payments to Working Group, Effective September 7, 2007

Annual Retainer for Members of Current Working Group ⁽³⁾	\$ 40,000
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(1) Newly elected and newly appointed non-employee directors during their first term received initial grants of RSUs with a fair market value of approximately \$120,000 on the date of the annual stockholders' meeting, or, if the election or appointment occurred midterm, on the date of such director's election or appointment, prorated based on the number of whole months from the date of election or appointment until the next expected stockholders' meeting.

(2) No such fees were paid in 2007.

(3) On September 7, 2007, the Board approved the payment of an annual retainer of \$40,000 to each member of the working group that was formed in May 2007 to lead the Board's efforts on management succession planning matters (the "Current Working Group"). Members of the Current Working Group are Messrs. Glauber, Boisi, Johnson and O'Malley. The retainer is paid in equal quarterly installments, beginning with the fourth quarter of 2007. On September 7, 2007, the Board also approved a supplemental payment of \$20,000 to each member of the Current Working Group in recognition of the Current Working Group's services from May to September 2007 and a supplemental payment of \$20,000 to each member of a prior working group (the "Original Working Group") in recognition of the Original Working Group's services from December 2006 to April 2007 on succession planning for the Chief Executive Officer. Members of the Original Working Group were Messrs. Boisi, Johnson and O'Malley.

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

Under the 1995 Directors' Stock Compensation Plan (the "Directors' Plan") and the Directors' Deferred Compensation Plan, an unfunded, non-qualified plan, directors may elect to defer receipt of cash fees and stock awards, as well as elect to convert cash fees into stock. Deferred

cash is credited to a director's account as of the date the amounts would have otherwise been paid to the director. For 2007, six directors elected to defer all or a portion of their 2007 cash fees into deferred stock or common stock.

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

Subject to earlier payment in the event of hardship withdrawals, deferred cash compensation distributions are payable in lump sums at the earlier to occur of (i) the end of the deferral period or (ii) the earlier of a director's termination of membership on the Board, disability or death.

Equity Compensation. Non-employee directors receive stock-based compensation under the Directors' Plan.

The number of RSUs awarded to non-employee directors is calculated by dividing the dollar amount of the award by the fair market value of our common stock on the grant date. Fair market value is defined under the Directors' Plan as the closing sales price of a share of our common stock reported for such date. For RSU grants made on or after March 3, 2007, vesting occurs in four equal increments with 25% vesting on each anniversary date of the grant, unless vesting is accelerated under certain circumstances, including death, disability or retirement from the Board. For equity grants outstanding as of December 31, 2006, vesting with respect to both stock options and RSUs occurs in equal increments over four terms on the Board, with 25% vesting at the end of every term of office, unless vesting is accelerated under certain circumstances, including death, disability or retirement from the Board.

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

Effective as of January 1, 2006, we stopped granting dividend equivalents on awards of stock options to non-employee directors. Prior to January 1, 2006, however, stock options granted to our non-employee directors had dividend equivalent rights on each share underlying the option equal to the dividend per share declared and paid on our outstanding common stock. For stock options vested as of December 31, 2004, dividend equivalents are accrued and are payable in cash upon exercise or expiration of the option. In response to Section 409A of the Internal Revenue Code (the "Code"), the CHRC approved a modification of the terms of certain outstanding stock options granted under the Directors' Plan. In particular, the terms of any stock option grant or portion thereof outstanding as of December 31, 2005 that was not vested as of December 31, 2004 were modified to eliminate the accrual of dividend equivalents. Dividend equivalents accrued through December 31, 2005 with respect to these stock options were distributed in a lump sum in 2006. Thereafter, dividend equivalents with respect to these stock options will not accrue but will be distributed as soon as practicable after dividends on our common stock have been declared.

Non-Employee Director Stock Ownership Guidelines. Under the Guidelines, non-employee directors generally are expected to hold an investment of at least five times the annual Board retainer in our common stock within five years after joining the Board, unless the GNROC determines that it is unduly burdensome for a director to make such an investment. Because the current Board retainer is \$60,000, non-employee directors are expected to hold an investment of at least \$300,000. Non-employee directors will be treated as complying with this stock ownership requirement, even if the non-employee directors do not otherwise meet the requirement, if they retain all Freddie Mac common stock received upon exercise of stock options or lapsing of restrictions on RSUs. This requirement does not take into account fluctuations in the price of our common stock and may not be satisfied with deferred stock.

The following table summarizes the 2007 compensation provided to all persons who served as non-employee directors during 2007.

2007 Non-Employee Director Summary Compensation Table

Name	Fees Earned or Paid in Cash ⁽¹⁾	Stock Awards ⁽²⁾⁽³⁾	Option Awards ⁽²⁾⁽⁴⁾⁽⁵⁾	Change in Pension Value and Nonqualified Deferred Compensation Earnings ⁽⁶⁾	All Other Compensation ⁽⁷⁾⁽⁸⁾⁽⁹⁾	Total
B. Alexander	\$109,000	\$ 72,358	\$41,334	\$ 0	\$13,199	\$235,891
G. Boisi	185,500	72,358	41,334	0	13,199	312,391
M. Engler	103,000	97,327	62,226	0	14,227	276,780
R. Glauber	164,500	42,665	8,862	0	10,507	226,534
R. Goeltz	169,500	89,521	60,719	9,139	14,730	343,609
T. Johnson	184,500	90,965	63,654	0	14,052	353,171
W. Lewis, Jr.	91,500	72,358	41,334	0	3,199	208,391
S. O'Malley	309,500	195,400	80,668	2,579	14,311	602,458
J. Peek ⁽¹⁰⁾	48,000	23,199	8,179	0	1,466	80,844
R. Poe ⁽¹¹⁾	47,500	97,722	58,885	0	19,299	223,406
N. Retsinas ⁽¹²⁾	76,500	16,993	0	0	1,365	94,858
S. Ross	145,000	146,183	67,747	0	19,042	377,972

(1) For Messrs. Boisi, Johnson and Ross, all of the amount shown was paid in the form of common stock pursuant to their election to convert 100% of their retainer and meeting fees into common stock. For Messrs. Lewis and Peek, all of the amount shown was paid in the form of deferred stock pursuant to their election to convert 100% of their retainer and meeting fees into deferred stock. For Mr. Retsinas, includes \$46,500 paid in the form of deferred stock pursuant to his election to convert 100% of his retainer and meeting fees paid in the third and fourth quarters of 2007 into deferred stock.

(2) Represents the compensation cost for the year of all of the directors' stock awards (all of which were RSUs) and option awards, respectively, outstanding in 2007, as determined under Statement of Financial Accounting Standards No. 123(R) ("SFAS 123(R)"), rather than an amount paid to or realized by the directors. See NOTE 10 to the consolidated financial statements included in the accompanying Annual Report for a discussion of the assumptions made in determining the SFAS 123(R) values. The amounts reported disregard estimates of forfeitures for awards with service-based vesting conditions. There can be no assurance that the full SFAS 123(R)

amounts will ever be realized by any director. No option awards were made to non-employee directors in 2007. The grant date fair values of the RSU awards made to each non-employee director in 2007 were as follows:

	<u>Grant Date Fair Value of RSU Awards</u>
B. Alexander	\$120,018
G. Boisi	120,018
M. Engler	120,018
R. Glauber	120,018
R. Goeltz	120,018
T. Johnson	120,018
W. Lewis, Jr.	120,018
S. O'Malley	120,018
J. Peek ⁽¹⁰⁾	120,018
R. Poe ⁽¹¹⁾	—
N. Retsinas ⁽¹²⁾	120,018
S. Ross	120,018

The grant date fair value of the RSU awards is calculated by multiplying the number of RSUs granted by the grant date fair value of our common stock. The grant date fair value of these RSUs awards is based on the fair market value of our common stock on June 8, 2007, which was \$64.63.

- (3) At December 31, 2007, the aggregate number of common shares underlying the outstanding RSU awards that had not vested and were held by each non-employee director was: Ms. Alexander — 3,714 shares; Mr. Boisi — 3,714 shares; Ms. Engler — 4,030 shares; Mr. Glauber — 2,927 shares; Mr. Goeltz — 3,810 shares; Mr. Johnson — 3,858 shares; Mr. Lewis — 3,714 shares; Mr. O'Malley — 4,030 shares; Mr. Peek — 0 shares; Mr. Poe — 0 shares; Mr. Retsinas — 1,857 shares; and Mr. Ross — 4,030 shares.
- (4) At December 31, 2007, the aggregate number of common shares underlying outstanding option awards, exercisable and unexercisable, held by each non-employee director was: Ms. Alexander — 6,360 shares; Mr. Boisi — 6,360 shares; Ms. Engler — 12,669 shares; Mr. Glauber — 1,822 shares; Mr. Goeltz — 11,781 shares; Mr. Johnson — 9,171 shares; Mr. Lewis — 6,360 shares; Mr. O'Malley — 12,994 shares; Mr. Peek — 0 shares; Mr. Poe — 20,265 shares; Mr. Retsinas — 0 shares; and Mr. Ross — 19,360 shares.
- (5) The value of dividend equivalents is recognized in the compensation expense of the stock option awards shown in the 2007 Non-Employee Director Compensation table. The following presents the actual amounts of cash dividend equivalents paid in 2007 to those non-employee directors who had stock option grants or portions thereof that were outstanding and not vested and exercisable as of December 31, 2004: Ms. Alexander, \$7,942; Mr. Boisi, \$7,942; Ms. Engler, \$14,123; Mr. Glauber, \$0; Mr. Goeltz, \$13,627; Mr. Johnson, \$11,079; Mr. Lewis, \$7,942; Mr. O'Malley, \$14,350; Mr. Peek, \$0, Mr. Poe, \$16,266; Mr. Retsinas, \$0; and Mr. Ross, \$16,266. Dividend equivalents on RSUs granted to our non-employee directors are not paid out in cash but are accrued as additional RSUs and are generally settled at the same time as the underlying RSUs.
- (6) We do not have any pension or retirement plans for our non-employee directors. For Mr. Goeltz, includes \$9,139 in above-market interest earned in 2007 on his deferred compensation balances relating to his 2005 and 2007 elections to receive deferred cash. For Mr. O'Malley, includes \$2,579 in above-market interest earned in 2007 on his deferred compensation balances relating to his 2007 election to receive deferred cash. Deferred compensation to be settled in cash is credited with interest compounded quarterly at the rate of: (i) 1% per annum in excess of the prime rate as reported by *The Wall Street Journal* on the first business day of each calendar year during the deferral period; or (ii) such other rate as is determined by the CHRC. In 2007, interest was credited at a rate of 9.25% based on the prime rate on January 2, 2007 of 8.25% plus 1%. Disclosure of nonqualified deferred compensation earnings for Mr. Goeltz and Mr. O'Malley consisted of the above-market portion of interest paid in 2007. Of the 9.25% rate of interest that was paid in 2007 on the deferred compensation balances of Messrs. Goeltz and O'Malley, 3.67% was considered above-market. The market rate of interest for 2007 was 5.58%, which was 120% of the applicable federal quarterly compounded long-term rate for January 2007.

- (7) For Mr. Poe, includes a \$5,000 donation made by us to the charity of Mr. Poe's choice in recognition of his service on the Board. The Freddie Mac Foundation provides a dollar-for-dollar match to eligible organizations and institutions, up to an aggregate amount of \$10,000 per director per fiscal year. Matching contributions made to charities designated by the non-employee directors were as follows: Ms. Alexander, \$10,000; Mr. Boisi, \$10,000; Ms. Engler, \$9,450; Mr. Glauber, \$10,000; Mr. Goeltz, \$10,000; Mr. Johnson, \$10,000; Mr. O'Malley, \$10,000; Mr. Poe, \$10,000; Mr. Retsinas, \$1,350; and Mr. Ross, \$10,000.
- (8) We have provided Business Travel Accident Insurance for officers, employees and non-employee directors for many years. The basic benefit provides \$250,000 to their heirs in the event of accidental death while on business travel for Freddie Mac. The cost of this insurance is attributed to each non-employee director as compensation and reported on a tax Form 1099 each year. In 2007, we learned that the premium cost allocated to the non-employee directors and reported as compensation to the non-employee directors for the three years 2004 through 2006 had been overstated. We made cash payments to the following current non-employee directors to reimburse them for the tax expense they incurred because we had overstated the compensation they received from Freddie Mac: Ms. Alexander, \$3,174; Mr. Boisi, \$3,174; Ms. Engler, \$4,286; Mr. Glauber, \$482; Mr. Goeltz, \$4,286; Mr. Johnson, \$3,730; Mr. Lewis, \$3,174; Mr. O'Malley, \$4,286; Mr. Peek, \$1,447; Mr. Poe, \$4,286; Mr. Retsinas, \$0; and Mr. Ross, \$4,286.
- (9) Includes spousal business travel and entertainment expenses incurred in connection with the March 2007 Board meeting and for which non-employee directors were reimbursed. The reimbursements paid to affected non-employee directors were as follows: Ms. Engler, \$466; Mr. Goeltz, \$419; Mr. Johnson, \$297; and Mr. Ross, \$4,731.
- (10) Mr. Peek resigned from the Board effective September 17, 2007. All of Mr. Peek's 3,601 RSUs outstanding and unvested as of September 17, 2007 were forfeited. The related dividend equivalents (a total of 164 shares) as of September 17, 2007 were delivered to Mr. Peek in shares of common stock on December 10, 2007. At the time of his resignation from the Board, Mr. Peek had 1,316 stock options. These options expired on December 17, 2007.
- (11) Mr. Poe retired from the Board effective June 8, 2007. All of Mr. Poe's 4,684 RSUs outstanding as of June 8, 2007, including all previously unvested RSUs and all previously outstanding and deferred shares, were accelerated and delivered to Mr. Poe in shares of common stock as of that date. The related dividend equivalents (a total of 320 shares) as of June 8, 2007 were delivered to Mr. Poe in shares of common stock as of that date. Mr. Poe's option awards continue to vest and become exercisable according to the schedule that currently applies to those options. Because Mr. Poe retired from the Board effective before the last stockholders' meeting, he did not receive the June 8, 2007 equity grant to non-employee directors.
- (12) Mr. Retsinas joined the Board on June 8, 2007.

Transactions with Institutions Related to Directors

In the ordinary course of business, we were a party during 2007, and expect to continue to be a party during 2008, to certain business transactions with institutions affiliated with members of our Board. Management believes that the terms and conditions of the transactions were no more and no less favorable to us than the terms of similar transactions with unaffiliated institutions to which we are, or expect to be, a party. Those transactions that are required to be disclosed under rules promulgated by the SEC are described below.

In October 2007, Freddie Mac purchased mortgage-related securities with an aggregate unpaid principal balance of approximately \$4.3 billion issued by a bankruptcy remote entity of CIT Group, Inc. ("CIT"), of which a former member of our Board, Jeffrey M. Peek, is Chairman and Chief Executive Officer. During the period from October 1, 2007 through April 8, 2008, Freddie Mac has received principal and interest payments on these securities of approximately \$621.3 million. As a holder of the securities, Freddie Mac will continue to receive principal and interest payments while the securities are outstanding. An affiliate of CIT is the master servicer for these securities and receives a fee calculated on the unpaid principle balance of each underlying loan for its services. During the period from October 1, 2007 through April 8, 2008, the CIT affiliate has received servicing fees of approximately \$17.5 million. To avoid the appearance of a conflict of interest,

Mr. Peek resigned from Freddie Mac's Board effective September 17, 2007, prior to completion of this transaction.

Jerome P. Kenney, a director nominee, is currently an independent consultant to Merrill Lynch & Co. ("Merrill Lynch"). Mr. Kenney retired as Vice Chairman of Merrill Lynch in January 2008. While at Merrill Lynch, Mr. Kenney served in many capacities and most recently was a member of Merrill Lynch's Executive Client Coverage Group. Since January 1, 2007, Merrill Lynch, through its subsidiaries, has participated in the following transactions with Freddie Mac:

- As an underwriter for three equity securities offerings, five mortgage-related securities offerings, and 604 debt securities offerings to the public, for which it received underwriting fees of approximately \$4.8 million, \$0.8 million and \$19.3 million, respectively.
- As a counterparty in capital markets transactions, including derivative transactions, repurchase transactions and forward purchases and sales of securities (predominantly mortgage-related securities, but also asset backed commercial paper and other securities). The largest amount of notional or principal balance outstanding for these transactions during the period from January 1, 2007 to April 8, 2008 was \$107.3 billion, \$3.0 billion, and \$8.5 billion, respectively. The largest total counterparty exposure (*i.e.*, the risk of loss to Freddie Mac if Merrill Lynch were to fail to perform under its obligations) during the period from January 1, 2007 to April 8, 2008 was approximately \$925.5 million.
- As a dealer in 14 securitizations of our mortgage-related securities that involved payments of securitization fees to Freddie Mac in the amount of approximately \$11.5 million.

Freddie Mac regularly purchases securities from Merrill Lynch for its mortgage-related investment portfolio and its non-mortgage securities investment portfolio and occasionally may sell mortgage-related securities to or through Merrill Lynch. Freddie Mac expects to continue to engage in similar transactions with Merrill Lynch and its subsidiaries in 2008.

Policy Governing Related Person Transactions

In December 2007, the Board adopted the company's policy governing the Approval of Related Person Transactions (the "Related Person Transactions Policy"). This is a written policy and set of procedures for the review and approval or ratification of transactions involving related persons, which consist of any person who is, or was at any time since the beginning of the company's last completed fiscal year, a director, director nominee, executive officer, or immediate family member of any of the foregoing persons.

Under authority delegated by the Board, (a) the Executive Vice President — General Counsel and Corporate Secretary (the "General Counsel"), in the case of executive officers and their respective immediate family members (other than the Chief Executive Officer, the President, the Chief Operating Officer, the General Counsel and their respective immediate family members) and (b) the GNROC (or its Chair under certain circumstances), in the case of directors, director nominees and their respective immediate family members, and the Chief Executive Officer, the President, the Chief Operating Officer, the General Counsel and their respective immediate family members (each, an "Authorized Approver") are responsible for applying the Related Person Transactions Policy. Transactions covered by the Related Person Transactions Policy consist of any transaction, arrangement or relationship or series of similar transactions, arrangements or relationships, in which (i) the aggregate amount involved exceeded or is expected to exceed

\$120,000; (ii) the company was or is expected to be a participant; and (iii) any related person had or will have a direct or indirect material interest. The Related Person Transactions Policy includes a list of categories of transactions identified by the Board as having no significant potential for an actual conflict of interest or the appearance of a conflict or improper benefit to a related person, and thus are not subject to review (the “Excluded Transactions”). Excluded Transactions include, for example, transactions in which the related person’s interest arises only from the related person’s position as a director of, or less than 10% ownership level in, another entity that is a party to the transaction; transactions involving a related person where the rates or charges are determined by competitive bids or are in conformity with law or governmental authority; transactions involving certain compensation, indemnity or expense advance payments to an executive officer or director of the company; certain discretionary charitable contributions by the company to a non-profit entity with which a related person is affiliated; and certain transactions deemed not to be material under the director independence standards contained in the Corporate Governance Guidelines.

The company’s Legal Division will assess whether any proposed transaction involving a related person is a related person transaction covered by the Related Person Transactions Policy. If so, the transaction will be reviewed by the appropriate Authorized Approver. In consultation with the Chair of the GNROC, the General Counsel may refer any proposed transaction to the GNROC for review and approval. In those instances in which the General Counsel or his designee determines that it is not practicable or desirable for the company to wait until the next GNROC meeting to review a related person transaction involving a director, director nominee, or any of their respective immediate family members, the Chair of the GNROC may review and approve the related person transaction on behalf of the GNROC and report such action to the GNROC at its next regularly scheduled meeting.

If possible, approval of a related person transaction will be obtained prior to the effectiveness or consummation of the transaction. If advance approval of a related person transaction by the appropriate Authorized Approver is not feasible or otherwise not obtained, then the transaction will be considered promptly by the appropriate Authorized Approver to determine whether ratification is warranted.

In determining whether to approve or ratify a related person transaction covered by the Related Person Transactions Policy, the appropriate Authorized Approver will review and consider all relevant information regarding the related person transaction or the related person available to the Authorized Approver, which may include:

- the nature of the related person’s interest in the transaction;
- the approximate total dollar value of, and extent of the related person’s interest in, the transaction;
- whether the transaction was or would be undertaken in the ordinary course of business of the company;
- whether the transaction is proposed to be, or was, entered into on terms no less favorable to the company than terms that could have been reached with an unrelated third party; and
- the purpose of, and potential benefits to the company of, the transaction.

A director who may be a related person in connection with a particular proposed related person transaction will not participate in any discussion or approval of the transaction, other than

discussion for the purpose of providing material information concerning the transaction to the GNROC. The appropriate Authorized Approver may, in such Authorized Approver's sole discretion, impose such conditions as the Authorized Approver deems appropriate on the company or the related person in connection with the approval of the related person transaction including, but not limited to, ratification, revision or termination of the transaction.

Prior to December 2007, our written policies and procedures for the review, approval or ratification of related person transactions and other conflict of interest matters were based on our Corporate Governance Guidelines, our Codes of Conduct for directors and employees and our processes for gathering and disclosing information about such transactions. Among other things, the Codes of Conduct provide that when performing their Freddie Mac duties, our directors and employees must act at all times in our best interests. Employees and their immediate families are not permitted to engage in business with us unless they have consulted with our Chief Compliance Officer or the Compliance Division. If a director wishes to obtain a waiver of any Code provision (including those dealing with conflicts of interest), the waiver must be approved by the Board of Directors and disclosed to stockholders.

AUDIT COMMITTEE REPORT

The Audit Committee operates under a written charter most recently revised and approved by the Board in March 2007. As stated in the charter, the Audit Committee's primary responsibility is to assist the Board in discharging its oversight responsibilities with respect to financial matters and compliance with laws and regulations. The Audit Committee's specific responsibilities are summarized under "Proposal 1: Election of Directors — Meetings of the Board and Committees" above. A copy of the charter is available on our website at www.freddiemac.com.

The Audit Committee currently comprises the following five directors: Messrs. Glauber, Goeltz, Johnson, O'Malley and Ross. The Board has determined that each of these directors meets the independence requirements of the NYSE Listed Company Manual and our Guidelines. During the year ended December 31, 2007, the Audit Committee met 13 times. During the period from January 1, 2008 through April 22, 2008 the Audit Committee met nine times.

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

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

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

The Audit Committee has discussed with PricewaterhouseCoopers LLP the matters required to be discussed by Statement on Auditing Standards No. 114, *The Auditor's Communication With Those Charged With Governance* (which supersedes Statement on Auditing Standards No. 61). The Audit Committee also has received the written disclosures and the letter from PricewaterhouseCoopers LLP that are required by Independence Standards Board Standard No. 1, *Independence Discussions with Audit Committees*, and has discussed with PricewaterhouseCoopers LLP their independence from Freddie Mac and our management. At the direction of the Audit Committee, PricewaterhouseCoopers LLP did not provide any non-audit services to Freddie Mac in 2007.

The Audit Committee has reviewed and discussed with management our audited consolidated financial statements as of and for the fiscal year ended December 31, 2007.

The Audit Committee has also met with members of senior management and compliance, enterprise risk oversight, finance, legal and internal audit personnel to discuss and review, among other things, the results of internal audit examinations, the scope and resources for the internal audit function, management's development and implementation of systems and programs for the detection and prevention of fraud, management's policies, guidelines and processes regarding the assessment and management of our risk exposures, the status of litigation and investigations in which we are involved, our compliance with legal and regulatory requirements, and directors' and employees' compliance with our Codes of Conduct. OFHEO's annual report of examination regarding our safety and soundness was presented to the full Board, and so was not separately discussed by the Audit Committee in 2007.

Based on the reviews, reports and discussions referred to above, the Audit Committee recommended to the Board that the audited financial statements referred to above be included in our Annual Report for the year ended December 31, 2007.

In addition, the Audit Committee has approved the appointment of PricewaterhouseCoopers LLP as our independent auditors for the fiscal year ending December 31, 2008, and has submitted the appointment to the stockholders for ratification at this annual meeting. The Audit Committee pre-approved the terms of the audit services expected to be provided by our independent auditors for the fiscal year ending December 31, 2008.

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

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

Audit Committee Report

EXECUTIVE OFFICERS

As of April 1, 2008, our executive officers are as follows:

<u>Name</u>	<u>Age</u>	<u>Year of Affiliation</u>	<u>Position</u>
Richard F. Syron	64	2003	Chairman and Chief Executive Officer
Robert E. Bostrom	55	2006	Executive Vice President, General Counsel and Corporate Secretary
Patricia L. Cook	55	2004	Executive Vice President, Chief Business Officer
Paul G. George	56	2005	Executive Vice President, Human Resources and Corporate Services
Michael Perlman	57	2007	Executive Vice President, Operations and Technology
Anthony S. Pizsel	53	2006	Executive Vice President and Chief Financial Officer
Kirk Die	50	2006	Senior Vice President and General Auditor
David B. Kellermann	40	1992	Senior Vice President — Corporate Controller and Principal Accounting Officer
Michael C. May	49	1983	Senior Vice President, Multifamily Sourcing
Hollis S. McLoughlin	57	2004	Senior Vice President, External Relations and Chief of Staff
Paul E. Mullings	57	2005	Senior Vice President, Single Family Sourcing
Anurag Saksena	47	2005	Senior Vice President and Chief Enterprise Risk Officer
Jerry Weiss	50	2003	Senior Vice President and Chief Compliance Officer

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

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

Patricia L. Cook was appointed Executive Vice President, Chief Business Officer in June 2007. Prior to holding her current position, she served as our Executive Vice President, Investments and Capital Markets beginning in February 2005 and prior to that, she served as our Executive Vice President, Investments beginning in August 2004. Prior to joining us, Ms. Cook was Managing Director and Chief Investment Officer, Global Fixed Income at JPMorgan Fleming Asset Management from May 2003. Prior to joining JP Morgan Fleming, she was Managing Director and Chief Investment Officer, Fixed Income at Prudential Investment Management. From June 1991 to July 2001, Ms. Cook was Managing Director at Fisher Francis Trees and Watts. Prior to that, she worked in various management positions at Salomon Brothers, Inc. from January 1979 to June 1991.

Paul G. George was appointed Executive Vice President, Human Resources and Corporate Services in December 2006. He joined us in August 2005 as Executive Vice President, Human Resources. Prior to joining us, Mr. George was Senior Executive Vice President of Human Resources at Wachovia Corp. from January 2001 through December 2004. Prior to that, he was a member of Waste Management Inc.’s interim management team from 1998 to 1999. He also served for approximately nine years as Senior Vice President of Human Resources at United Airlines. Between 1985 and 1988 he was Vice President of Human Resources at Pacific Southwest

Executive Officers

Airlines. Prior to that he was a partner at Meserve, Mumper & Hughes, the second oldest law firm in Los Angeles.

Michael Perlman was appointed Executive Vice President, Operations and Technology in August 2007. Prior to joining us, Mr. Perlman was a managing director at Morgan Stanley until July 2007 where he developed operations and technology infrastructure to support their Fixed Income and Global Operations Divisions. Mr. Perlman also played significant roles in building Morgan Stanley's mortgage conduit and different financial services systems. Before joining Morgan Stanley in September 1997, Mr. Perlman was a founding partner at AT&T Solutions' Financial Services Group and a partner in the Washington, DC and New York offices of Deloitte & Touche, where he specialized in large-scale business and technology renovation.

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

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

David B. Kellermann was appointed Senior Vice President — Corporate Controller and Principal Accounting Officer in March 2008. Prior to holding his current position, he served as our Senior Vice President, Business Area Controller, starting in October 2006. Prior to that appointment, Mr. Kellermann was Vice President, Strategy Execution and Integration from February 2005 until October 2006, during which time he also assumed responsibility for the Finance Program Management Office. Before that, Mr. Kellermann held the positions of Vice President, Valuation, Risk Management and Investment Process from November 2003 to February 2005 and Vice President, Mortgage Portfolio Investment Process from May 2003 to November 2003. Mr. Kellermann also held various other positions at our company since joining us in 1992, including Portfolio Management Director — Senior from March 2002 to May 2003.

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

Hollis S. McLoughlin was appointed Senior Vice President, External Relations and Chief of Staff in June 2007. Prior to this appointment, Mr. McLoughlin served as our Senior Vice President, External Relations starting in January 2006. He also served as Senior Vice President and Chief of Staff from April 2004 to January 2006. From 1998, Mr. McLoughlin was Chief Operating Officer of two private equity-backed operating companies. Before that, he was one of the founding partners of Darby Overseas, a private equity partnership based in Washington, D.C. He has also been a senior executive at Purolator Courier, an overnight delivery company, and a privately held transportation company. From 1989 through 1992, Mr. McLoughlin served as Assistant Secretary of the Treasury under former President George H. W. Bush. He served as Chief of Staff to Sen. Nicholas Brady, R-N.J., in 1982 and to Rep. Millicent Fenwick, R-N.J., from 1975 to 1979.

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

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

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

REPORT OF THE CHRC

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

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

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

COMPENSATION DISCUSSION AND ANALYSIS

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

Compensation Philosophy and Objectives

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

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

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

Compensation Discussion and Analysis

Achieving our compensation objectives requires the CHRC and management to exercise significant judgment. As a starting point for this exercise of judgment, we generally establish a target total direct compensation level for each named executive officer. For these purposes, “total direct compensation” consists of base salary, target annual bonus, and target annual long-term equity award.

While the majority of our officers are not covered by employment agreements, certain of the employment agreements or offer letters applicable to the named executive officers provide certain contractual protections, such as guaranteed base salary levels, guaranteed incentive payments in certain situations, and special termination benefits. Since 2003, when we announced the need to restate our financial results for 2000 through 2002 (the “restatement”), we have been engaged in a process of restructuring through changes affecting, among other things, governance, corporate culture, internal controls, accounting practices and disclosure. With the exception of Mr. May, all of our named executive officers have been hired since the commencement of that process. As is typical in such periods of transition, uncertainties amongst executive officers are greater than they otherwise would be. We believe the contractual protections provided are necessary to recruit and retain the exceptional leaders we need to complete the restructuring process and position us for the future.

On November 9, 2007, we entered into an amendment to Mr. Syron’s December 6, 2003 employment agreement that extends the term of his employment agreement through December 31, 2009 under revised compensation terms. We believe the compensation provided under Mr. Syron’s extension agreement is reasonable and comparable to the compensation practices of companies in our Comparator Group, structured to be consistent with our pay-for-performance philosophy, and justified by Mr. Syron’s performance. We believe it was important to secure Mr. Syron’s commitment to stay an extra year so as to enable Freddie Mac to continue its progress towards accomplishing significant initiatives and provide the Board with sufficient time to focus on succession planning and transition processes. The CHRC also approved a special, one-time cash performance award opportunity for Mr. Syron to provide additional incentive for the completion of key tasks through September 30, 2009. We believe that this award is consistent with our pay-for-performance philosophy, which requires the demonstration and evaluation of performance prior to payment. For more information on Mr. Syron’s extension agreement, see “Employment and Separation Agreements — *Richard F. Syron*” below. For more information on the parameters of Mr. Syron’s special performance award, see “Compensation Structure — *Chief Executive Officer Special Performance Award Opportunity*” below. See also our website at www.freddiemac.com/governance/compensation.html, where Mr. Syron’s extension agreement is posted.

Role of Executive Officers and the Compensation Consultant

The CHRC, with input from other non-employee directors, annually reviews and approves the compensation of our Chief Executive Officer and our other executive officers. When possible, including in 2007, management provides competitive market data and otherwise begins discussions concerning executive compensation with the CHRC at least one meeting in advance of the meeting at which the CHRC makes its annual executive compensation decisions. For executive officers other than the Chief Executive Officer, the Chief Executive Officer, working with the Executive Vice President — Human Resources and Corporate Services (the “EVP — Human Resources”), makes recommendations to the CHRC regarding executive compensation actions. The CHRC Chair,

with the support of Hewitt and the EVP — Human Resources, as appropriate, prepares a recommendation regarding compensation of the Chief Executive Officer for the CHRC’s approval. The CHRC approves salary adjustments, annual bonus payments and targets, and long-term equity awards and targets after reviewing these recommendations.

To assist the CHRC in carrying out its responsibilities, the CHRC has retained and is assisted by Hewitt, a global human resources consulting firm that provides executive compensation consulting to many Fortune 100 companies and has advised our Board on compensation matters since 1990. Hewitt may provide services directly to the CHRC or, depending on the project, work with the EVP — Human Resources and his staff to provide information and materials to the CHRC with respect to its executive compensation responsibilities. Although most such materials are prepared by employees of the company, all such materials are reviewed by Hewitt. Hewitt also assists in preparing some materials. The CHRC generally works with Hewitt together with management. On occasion, the Chairman of the CHRC works directly with Hewitt without the involvement of management. The EVP — Human Resources is management’s primary contact with Hewitt and is responsible for assisting Hewitt in carrying out its assignments for the CHRC, but, as necessary and appropriate, Hewitt may communicate with other executive officers and with governance attorneys in the company’s Legal Division in carrying out executive compensation projects.

Hewitt’s role is to assist the CHRC in discharging its responsibilities with respect to its oversight of compensation and benefits, which includes apprising the CHRC of best practices as well as emerging compensation trends and issues, including compensation governance. In its capacity as a consultant to management, Hewitt will also help management identify acceptable approaches to ensure that compensation continues to clearly link to short- and long-term performance. In its capacity as a consultant to the CHRC and the GNROC, Hewitt provides the following services to the CHRC and, for non-employee director compensation, the GNROC, as applicable:

- independent advice and market data to CHRC members on executive compensation and benefit matters, to ensure alignment with our business and strategic objectives, our pay philosophy, and prevailing market and governance practices;
- review of committee meeting materials, attending committee meetings, and responding to questions which may arise;
- review of portions of our draft annual proxy statement relating to executive compensation, including the Compensation Discussion and Analysis; and
- independent advice and market data to the GNROC on non-employee director compensation.

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

During 2007, Hewitt’s primary consultant for the CHRC attended (either in person or via telephone) or made himself available to participate in every CHRC meeting. Additionally, the CHRC has set aside time at its meetings to meet with Hewitt in executive session without management present in order to discuss any executive compensation questions, comments or concerns.

The CHRC engages Hewitt directly and requires management to disclose annually to the CHRC the work performed by and fees paid to Hewitt, including any work Hewitt performed for management. Pursuant to a policy on the selection and retention of outside advisors to the Board, the CHRC annually reviews and pre-approves any services that Hewitt will provide to management so that the CHRC can determine that Hewitt's acceptance of engagements and remuneration from management has not impaired the firm's ability to provide independent advice regarding management compensation to the CHRC.

During 2007, Hewitt advised the CHRC and the GNROC on senior management and non-employee director compensation and various other compensation and benefit related matters. Hewitt's work included: providing guidance for Mr. Syron's special performance award opportunity and amended employment agreement (as discussed under "Compensation Discussion and Analysis" below); providing competitive market data and advice on the award structure and implementation of performance RSUs; reviewing management's recommendations for 2007 executive officer compensation actions, and providing advice to the CHRC on compensation actions for these executives; reviewing executive compensation best practices; providing a Board compensation study based on non-employee director compensation market data for the Comparator Group (defined under "Compensation Discussion and Analysis" below), including providing perspective and recommendations; and reviewing all CHRC meeting materials. Fees for Hewitt's consulting advice to the CHRC and the GNROC for the year ended December 31, 2007 were approximately \$230,000, including travel expenses for attendance at committee meetings.

Hewitt also provided consulting services to management during 2007 in the general areas of compensation and benefits. Compensation services included: providing officer market compensation data and other competitive market information; consulting on the competitiveness and market perspective of short-term and long-term incentive design for non-executive officers; consulting on compliance with OFHEO's Examination Guidance for Compensation Practices; consulting on our 2007 proxy statement; providing guidance on the structure of non-executive officer-level new hire compensation packages; providing advice on compensation trends and practices; and responding to various ad-hoc compensation data requests. Benefits services included: consulting on retirement program investment and life insurance benefits; analyzing our benefits index; and providing ad-hoc benefit design studies. Fees for Hewitt's non-CHRC and non-GNROC related services for the year ended December 31, 2007 were approximately \$280,000, including travel expenses for attendance at meetings.

Evaluating and Targeting Executive Compensation

A number of factors are taken into consideration during the annual process to evaluate and set target compensation for the named executive officers, as discussed below.

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

We review and discuss the composition of the Comparator Group on an annual basis with the CHRC and Hewitt. In determining which companies to include in the Comparator Group, we examine several criteria, including the relevant labor market for talent and those companies with

which we compete for investment capital. To reflect the investment capital criterion, we examine those companies competing in the mortgage-backed securities sector. To reflect the relevant labor market, we examine industry segments and companies from which we have recruited and to which we have lost officer talent. For a more detailed discussion of the CHRC's role in the annual process of evaluating, recommending and approving compensation for the named executive officers and the role of Hewitt, see "Corporate Governance — Interaction with and Independence of Compensation Consultant."

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

After considering these criteria, the CHRC selected the following companies in November 2006 as the Comparator Group for purposes of competitive compensation market analysis in 2007:

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

We are not able to use the Comparator Group to obtain competitive compensation information for all named executive officers. For example, we do not use the Comparator Group when comparable executive positions do not exist in the Comparator Group or when available data are incomplete. In those instances, we use data from alternative widely used survey sources for financial services companies. In those cases in which the alternative survey sources do not identify executive positions comparable to our positions, we set compensation targets based on our best estimate of the relative scope and responsibilities of the position as compared to the scope and responsibilities of comparable positions within Freddie Mac for which survey data exist. For Ms. Cook's position, Executive Vice President, Chief Business Officer and Mr. May's position, Senior Vice President, Multifamily Sourcing, a reasonable match and/or sufficient data were not available in the Comparator Group and a survey by McLagan, an Aon consulting company, was used. Overall, we believe the companies that participated in the McLagan survey, financial services companies, appropriately represent our relevant labor market, and that the McLagan survey is an appropriate source of compensation data for jobs that cannot be found in the Hewitt survey of the Comparator Group. To protect the confidentiality of the companies participating, McLagan does not provide the identities of component companies of the surveys used in setting the compensation levels of Ms. Cook and Mr. May. For Mr. Perlman's and Mr. Smialowski's position (Executive Vice President, Operations and Technology), the Comparator Group data was provided to and considered by the CHRC. However, the CHRC determined that the Comparator Group positions were more technology-oriented and did not reflect the breadth of the operational responsibilities for

our position. Accordingly, a premium was applied to the data in an effort to account for the difference in scope of responsibilities. The CHRC also considered the compensation relationship between Freddie Mac's position and other executive positions within the company, as well as publicly available information concerning the total direct compensation for a Fannie Mae executive with similar responsibilities. In setting the compensation targets for this position, as well as all other positions, the CHRC exercised its judgment in arriving at appropriate compensation levels taking into account available competitive market compensation data and other factors discussed under "Compensation Philosophy and Objectives."

The CHRC applied the compensation philosophy and criteria described above at its March 3, 2007 meeting to set 2007 target total direct compensation for the named executive officers other than Mr. Perlman, who had not yet joined the company. In addition, on November 9, 2007, we entered into an amendment extending Mr. Syron's employment agreement with us through December 31, 2009, pursuant to which Mr. Syron's base salary effective July 1, 2007, his 2007 target bonus and his 2007 target long-term equity award were increased over the levels approved by the CHRC at its March 3, 2007 meeting. For more information, see "*Chief Executive Officer Special Performance Award Opportunity*" and "*Executive Compensation — Richard F. Syron*" below.

The following table shows the named executive officers' target total direct compensation for 2007.

	<u>Base Salary</u>	<u>Target Bonus Expressed as Percentage of Annualized Base Salary</u>	<u>2007 Target Bonus⁽¹⁾</u>	<u>Target Long-Term Equity Award for 2007 Performance⁽²⁾</u>	<u>2007 Target Total Direct Compensation</u>
Mr. Syron ⁽³⁾	\$1,200,000	278%	\$3,336,000	\$9,400,000	\$13,396,000
Mr. Pizsel ⁽³⁾	\$ 650,000	155%	\$1,007,500	\$3,000,000	\$ 4,657,500
Ms. Cook	\$ 600,000	333%	\$2,000,000	\$2,600,000	\$ 5,200,000
Mr. Perlman ⁽³⁾	\$ 500,000	245%	\$1,225,000	\$1,525,000	\$ 3,250,000
Mr. May	\$ 418,000	115%	\$ 480,000	\$ 677,000	\$ 1,575,000
Mr. McQuade ⁽⁴⁾	\$ 900,000	180%	\$1,620,000	\$6,000,000	\$ 8,520,000
Mr. Smialowski ⁽⁵⁾	\$ 550,000	209%	\$1,150,000	\$2,100,000	\$ 3,800,000

- (1) Actual 2007 bonus payouts, paid in March 2008, for each named executive officer are shown in the Summary Compensation Table under "Bonus" and are discussed further under "2007 Annual Bonus Compensation" below.
- (2) Actual long-term equity incentives awarded in respect of performance during 2007, granted in March 2008, are shown below under "2007 Long-Term Equity Awards."
- (3) The 2007 base salaries, 2007 target bonuses and target long-term equity award for 2007 performance for Messrs. Pizsel and Perlman were in accordance with their offer letters, and, in the case of Mr. Syron, his amended employment agreement.
- (4) Mr. McQuade resigned his position as President and Chief Operating Officer effective September 1, 2007.
- (5) Mr. Smialowski resigned his position as Executive Vice President, Operations and Technology effective June 30, 2007 but remained employed with the company until December 31, 2007.

After considering the factors discussed below, 2007 target total direct compensation for two of the named executive officers who are currently employed by Freddie Mac and who were employees for the entire 2007 calendar year was set by the CHRC below, and for two of the named executive officers at or above, the median level of total direct compensation for comparable executives in the Comparator Group or, as discussed above, based on alternative survey data.

At its March 3, 2007 meeting, the CHRC decided that Messrs. Syron's and McQuade's 2007 target total direct compensation, including their bonus targets, should remain unchanged from their

2006 levels. The 2007 bonus targets for Messrs. Syron and McQuade were conditioned on their executing waivers to their employment agreements so that their potential payments upon termination of employment (which, in some cases, take into account target bonuses) would be calculated based on the bonus target in their respective employment agreements, not the higher 2007 bonus targets. Pursuant to the terms of the November 9, 2007 amendment to his employment agreement, Mr. Syron's 2007 annual bonus target and long-term equity award target were increased in December 2007, and his base salary was increased effective July 1, 2007. At its March 3, 2007 meeting, the CHRC determined to increase Mr. Smialowski's annual bonus target and long-term equity award target for 2007. With the exception of Mr. Perlman, who joined the company in 2007, 2007 target total direct compensation for the remaining named executive officers was unchanged from their 2006 levels.

At the March 3, 2007 meeting at which the 2007 total direct compensation targets were approved, the CHRC approved a change in methodology used to calculate the number of RSUs subject to an award by eliminating the economic discount used in converting the approved dollar value of long-term equity awards into a specific number of RSUs. To offset the elimination of the economic discount, the CHRC adjusted upward the long-term incentive targets for all executives other than those with employment agreements or offer letters that provide for guaranteed long-term incentive targets. This change did not result in additional cost to the company and did not provide employees with greater value. See "RSUs — Valuation of RSUs" below for more information concerning the elimination of the economic discount.

During the CHRC's process to establish 2007 compensation targets for the company's executive officers, the CHRC reviewed data and discussed and considered the following for each named executive officer, except for Mr. Perlman, who had not yet joined the company:

- The major components of each executive officer's compensation;
- Competitive compensation data;
- An assessment of the executive officer's performance for the year;
- A tally sheet of total compensation and benefits paid to, or accrued for, each executive officer;
- The grant date value of all stock options and RSUs awarded;
- The estimated year-over-year actuarial increase in qualified and non-qualified pension benefits;
- The value of all outstanding equity awards, which includes all unvested RSUs, unvested stock options and unexercised vested stock options;
- Freddie Mac's actual cost of providing life insurance, disability insurance, and medical insurance to each executive officer;
- The annual interest accrual for participants in the Executive Deferred Compensation Plan;
- The estimated value and summary of various perquisites received; and
- The estimated potential value of compensation due if an executive officer were terminated by Freddie Mac on December 31, 2006 for reasons other than "for cause."

Prior to the determination of actual awards for performance in 2007, the CHRC reviewed updates to the information listed above for the named executive officers, as well as the following additional items for each of the named executive officers:

- A chart providing a visual and numerical summary of the total compensation mix for each executive officer;
- A tabular comparison of the executive's 2007 target compensation to the competitive market data;
- A chart illustrating the projected value of the executive's unvested equity that is scheduled to vest in the future, absent prospective awards, at three hypothetical stock prices; and
- A tabular comparison of the executive's equity that is owned outright versus equity that is "at risk."

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

The CHRC does not seek to maintain any direct relationship between the various elements of compensation, or to standardize the mix of pay for executive officers. The CHRC believes, however, that, at a minimum, an executive officer's target long-term incentive award should generally be 40% of his or her target total direct compensation.

As part of the CHRC's regular decision-making process, the tally sheet provided to the CHRC for each executive officer discloses the executive officer's then-current post-termination benefits and other executive officer benefits. The tally sheet provides the CHRC with a comprehensive view of all components of compensation and benefits provided to an executive in order for the CHRC to assess the reasonableness of the total value of compensation and benefits provided. Historically, the level of an executive officer's post-termination benefits and other benefits has not directly affected the CHRC's analysis in determining any individual executive officer's target or actual base salary, annual bonus or annual long-term incentive award.

Compensation Structure

Our pay-for-performance philosophy is implemented by providing the named executive officers competitive base salaries, annual bonus opportunities, and long-term equity incentive opportunities. The named executive officers may also receive certain perquisites and other benefits.

Base Salary

As discussed under "Evaluating and Targeting Executive Compensation" above, the base salaries of our named executive officers, including the Chairman and Chief Executive Officer, are broadly based on salaries for comparable positions in the market. Base salaries take into consideration base salaries of comparable positions in the Comparator Group and alternative survey data, if applicable, and also reflect the named executive officer's job performance, future potential,

Compensation Discussion and Analysis

scope of responsibilities and experience. For each of the named executive officers, base salaries are consistent with the terms of his or her respective employment agreement or offer letter and are reviewed annually.

Annual Bonuses

Our annual cash bonus program is intended to motivate our named executive officers to work effectively to achieve both our annual corporate performance objectives and their individual performance objectives and to reward them based on achievement against such objectives.

The determination of the actual bonus payable to our named executive officers occurs at the end of an annual cycle that consists of several stages. For 2007, the first stage occurred at the March 3, 2007 CHRC meeting where, based upon recommendations from management and input from the full Board, the CHRC both approved the 2007 Bonus Funding Scorecard and concurred with an aggregate amount of funding to be made available for 2007 bonuses if all objectives on the 2007 Bonus Funding Scorecard were achieved.

The 2007 Bonus Funding Scorecard contained a balanced set of performance measures that integrated Freddie Mac's perennial and annual objectives, as follows:

- **Mission.** Meeting specific U.S. Department of Housing and Urban Development (HUD) goals and, to the extent consistent with the Interagency Guidance on non-traditional mortgage products and our stated position on subprime lending, HUD subgoals, for the percentage of mortgages purchased by Freddie Mac that fall into the categories of low- and moderate-income, underserved areas, and special affordable housing for 2007. See "Regulation and Supervision — Department of Housing and Urban Development — Housing Goals and Home Purchase Subgoals" in our Annual Report for a more detailed discussion of these goals and subgoals. The 2007 goals were as follows:

Housing Goals:

Low- and moderate-income goal:	55%
Underserved areas goal:	38%
Special affordable goal:	25%

Home Purchase Subgoals:

Low- and moderate-income subgoal:	47%
Underserved areas subgoal:	33%
Special affordable subgoal:	18%

- **Shareholder Value.** Accomplishing a number of specific financial goals in the categories listed below.
 - Growth of adjusted fair value. Adjusted fair value is an internal measure used to assess performance with respect to those drivers of fair value results that we actively seek to manage.
 - Fair value return on common equity. Our Annual Report discusses the changes in fair value and management's expectations concerning long-term fair value growth under "Management's Discussion and Analysis of Financial Condition and Results of Operations — Consolidated Fair Value Balance Sheets Analysis."
 - Guarantee portfolio growth. Accomplishing a specific growth goal for our credit guarantee portfolio.

- Achieving a specific market share in the conventional conforming mortgage market.
- Achieving a targeted return on equity for our purchases of single-family loans.
- Achieving a targeted return on equity for our net purchases of mortgage investments.
- Achieving a targeted debt option adjusted spread to LIBOR.

The Shareholder Value targets reflected aggressive assumptions regarding portfolio growth and profitability that would be very challenging to achieve due to significant external pressures and internal infrastructure challenges. The targets for adjusted fair value growth, market share in the conventional conforming market and debt option adjusted spread to LIBOR were set at levels somewhat above our actual results for 2006; the targets for guarantee portfolio growth and return on equity for net purchases of mortgage investments were maintained at levels comparable to our actual results for 2006; and the targets for fair value return on common equity and return on equity for our purchases of single-family loans were set at levels somewhat below our actual results for 2006. These adjustments were made to reflect anticipated market and competitive conditions in 2007. In particular, management and the CHRC considered the possible need for strategic choices between achieving the shareholder value objectives and achieving the company's mission and risk management objectives, given that actions to increase purchases of goal-qualifying mortgages could potentially detract from the accomplishment of the shareholder value objectives.

- **Accounting and Controls.** Returning to quarterly financial reporting and making substantial progress toward completion of our initiative, known as the Comprehensive Plan, to strengthen our controls related to financial operations and reporting and to remediate previously identified material weaknesses within our internal control processes, with priority focus on strengthening technology infrastructure and controls.
- **Touch More Loans.** Enhancing our acquisition, retention and disposition capabilities for non-standard mortgage products.
- **Employee Engagement.** Managing voluntary attrition to be equal to or lower than 11.5%, the 2006 rate.
- **Risk Management and Controls.** Advancing our enterprise risk management processes.
- **Efficiency.** Managing administrative expenses as a percentage of our average total mortgage portfolio to 8.4 basis points.
- **External Reputation.** Effectively managing our reputation.

There was no arithmetic weighting applied to the eight performance objectives. However, for 2007, the top priorities for corporate performance established by the CHRC were the achievement of the Accounting and Controls and Touch More Loans objectives, as achieving these objectives would substantially enhance our long-term capability to achieve our perennial objectives of Mission and Shareholder Value. Management designed the 2007 Bonus Funding Scorecard objectives with the understanding that achieving the performance goals would require not only strong financial performance by the company, but also the achievement of two additional performance categories, External Reputation and Efficiency, that management also believed would be difficult to accomplish in 2007. Management acknowledged that there was a significant possibility that several

of the objectives would not be achieved, in some cases for reasons beyond the control of the company.

Some of the performance criteria in the 2007 Bonus Funding Scorecard cannot be precisely quantified. Furthermore, to some extent, the achievement of one particular corporate goal can affect the company's ability to achieve one or more other goal(s), depending on financial market conditions. For example, maximizing some of the Shareholder Value metrics can, at least in some cases, be inconsistent with achieving some of the Mission goals (such as increasing the percentages of mortgages purchased in certain HUD-defined categories) that we are mandated to achieve as part of our federal charter or by our regulators.

Management recommended to the CHRC at its March 2007 meeting that an aggregate amount of funding for the 2007 bonus pool be established. The CHRC concurred with this funding level and with guidelines for adjusting the funding level based on changes in employee demographics, such as additional employees becoming eligible for annual bonuses.

2007 Annual Bonus Compensation

CHRC Assessment of 2007 Corporate Performance

With respect to the 2007 Bonus Funding Scorecard, at the January 31, 2008 CHRC meeting, management reported that we should be assessed as "below plan" because we did not achieve all of the performance measures contained within the Shareholder Value and Efficiency objectives. Additionally, we fell slightly short of expectations on the Mission and Touch More Loans objectives. The assessment of our performance against the 2007 Scorecard objectives was as follows:

- **Mission.** We fell slightly short of this objective. A combination of deteriorating conditions in the mortgage credit markets, decreased housing affordability that began in 2005, and regulatory changes made meeting the affordable housing goals and subgoals for 2007 more challenging than in previous years. Management reported to the CHRC that we achieved the HUD goals as well as the sub-goal for the percentage of mortgages purchased by Freddie Mac that fall into the category of underserved housing. We did not achieve the two HUD sub-goals for the percentage of mortgages that fall into the categories of low- and moderate-income and special affordable housing. We believe, however, that the achievement of these two sub-goals was infeasible in 2007. Accordingly, we have submitted an infeasibility analysis to HUD, which is in the process of reviewing our submission.
- **Shareholder Value.** We did not achieve all of the performance measures of this objective. In developing the performance goals for Shareholder Value, management made aggressive assumptions regarding portfolio growth and profitability before the deterioration in the housing market. We fell substantially short of the objective for fair value return on common equity, and also fell substantially short of the objective for return on equity for our purchases of single-family loans. We met or exceeded the remaining five financial measures. Achieving the two missed Shareholder Value objectives became increasingly difficult throughout the year due to deteriorating conditions in the housing and credit markets. In addition, although it was not a specific Scorecard measure, we considered the decline in our GAAP financial results when evaluating performance against the Shareholder Value measure.

- **Accounting and Controls.** We exceeded our objective with respect to Accounting and Controls. We returned to quarterly financial reporting in 2007 and believe we are on track to complete the Comprehensive Plan, which consists of fixing known issues (*i.e.* remediation of material weaknesses and significant deficiencies), identifying unknown risk and control issues, implementing system changes, and implementing close process improvements.
- **Risk Management.** We achieved our objective to advance our risk management processes. We integrated several key functions into the enterprise risk oversight function in order to strengthen the overall risk management process; our Enterprise Risk Oversight, Investments and Capital Markets and Finance divisions have jointly developed performance metrics for the 2008 Bonus Funding Scorecard; and a risk-based scenario approach to assess economic capital was completed. Finally, a mandatory employee risk management training program was implemented in June 2007.
- **External Reputation.** We achieved our objective of effectively managing our reputation risk despite the challenges posed by our financial results, a reduction in our dividend, and raising additional capital. We also continued to take a leadership role in the housing crisis through our \$20 billion subprime loan purchase commitment and have maintained industry support for the positions of the government-sponsored entities (the “GSEs”) on key legislative and regulatory issues.
- **Efficiency.** We did not achieve all of the Efficiency objectives. For 2007, administrative expenses as a percentage of our average total mortgage portfolio declined to 8.6 basis points, but were above the targeted goal of 8.4 basis points. While our core general and administrative expenses were at or below the target amount, our total administrative expenses increased substantially as a result of special initiatives required in 2007 to complete the Comprehensive Plan.
- **Touch More Loans.** We fell slightly short of this objective, which was modified mid-year for several reasons. First, within our single-family business, we adjusted the implementation of certain initiatives so that we could focus on helping customers weather impacts to their business and keep borrowers in their homes in light of deteriorating market conditions. Second, within our multifamily business, we focused on managing the significantly increased volume so that we could offer stability in this market. Third, we re-allocated resources to the Comprehensive Plan and information technology systems initiatives. Nevertheless, despite these mid-year changes, we believe both the product and infrastructure achievements towards the Touch More Loans objective were significant.
- **Employee Engagement.** We exceeded our objective to maintain the retention of critical talent. Our actual voluntary attrition rate was 9.3%.

After reviewing and discussing the information presented by management, the CHRC exercised its discretion in determining whether we achieved all or any portion of the Scorecard objectives and our performance relative to particular objectives, and agreed with management’s assessment that the company’s performance should be “below plan.” However, the CHRC also considered:

- The challenging market and regulatory conditions that prevailed during 2007;
- The degree of difficulty in achieving all of the elements for the eight objectives in the 2007 Bonus Funding Scorecard; and

- The entirety of our corporate performance, including both accomplishments captured on the 2007 Bonus Funding Scorecard and other notable accomplishments not addressed on the Scorecard that have better positioned the company, such as:
 - A successful offering of \$6 billion in preferred stock in December 2007, which substantially strengthened our capital position.
 - Our market-leading response to early signs of the subprime crisis.
 - The settlement of various litigation matters and the SEC’s investigation of Freddie Mac relating to the restatement.
 - Our absorption of significant and unplanned volume increases in single-family and multifamily loans as a result of the shifts taking place in the mortgage finance industry in 2007 (especially the departure of many private-label issuers of mortgage securities from the mortgage purchase market and the corresponding growth in purchases by Freddie Mac).

Additionally, the CHRC considered Freddie Mac’s results versus the objectives in light of the unique business conditions under which the company operates. Freddie Mac’s objectives require the company to balance optimizing the annual shareholder value performance measures, making business decisions that allow us to meet our Mission goals and that are in the best long-term interest of the company, and executing against annual objectives that take into account the guidance from OFHEO. After discussing management’s recommendation, the CHRC exercised its judgment to determine an appropriate level of funding for the 2007 corporate bonus pool. The bonus funding level that was approved by the CHRC was significantly less than the level agreed upon in March 2007 had the company achieved all its 2007 Bonus Funding Scorecard objectives. The CHRC did not consider what the 2007 bonus funding level would have been based solely on an assessment of “below plan” performance against the Scorecard objectives. No formulas or arithmetic methods were applied for calculating any specific funding level based on any specific performance level (*i.e.*, “below plan”, “on plan” or “above plan”). As discussed below, individual named executive officer bonus payments were determined in part on the basis of an assessment of such executive officer’s individual performance.

Individual Performance Assessments

The CHRC does not use predetermined arithmetic formulas to determine the compensation it deems appropriate for each individual executive officer, including the named executive officers; rather, determining appropriate compensation requires the exercise of judgment to balance quantitative as well as qualitative factors. The aggregate 2007 annual bonus awarded to each executive officer takes into account not only the company’s performance against the 2007 Bonus Funding Scorecard and the other company-wide factors described above, but also an assessment by the Chief Executive Officer of each executive officer’s and his or her division’s performance during the year, as discussed below, and the CHRC’s business judgment and discretion in determining the compensation it deems appropriate for each individual named executive officer. For the Chief Executive Officer, the CHRC, with input from the other non-employee members of the Board, assessed his performance during the year and applied the same discretion with respect to his compensation.

For 2007, a portion of the executive officer bonuses, other than Mr. Syron's, was delivered in RSUs with a three-year vesting schedule. Providing a portion of the bonus compensation in RSUs reinforces the linkage between the executive officers' performance and shareholder value. The three-year vesting schedule offers an additional retention element, the ultimate value of which is tied to shareholder value.

The following table summarizes the annual bonus awards made to the named executive officers for their performance during 2007:

	For Performance During 2007			
	Target Bonus	Actual Cash Bonus	Actual Cash Bonus as % of Target Bonus	Supplemental RSU Bonus
Mr. Syron	\$3,336,000 ⁽¹⁾	\$2,200,000 ⁽²⁾	66%	\$ 0
Mr. Pizsel	\$1,007,500 ⁽¹⁾	\$1,350,000	134%	\$200,000
Ms. Cook	\$2,000,000	\$1,400,000	70%	\$200,000
Mr. Perlman	\$1,225,000 ⁽¹⁾	\$1,225,000	100%	\$ 50,000
Mr. May	\$ 480,000	\$ 465,000	97%	\$ 75,000
Mr. McQuade ⁽³⁾	\$1,620,000	n.a.	n.a.	n.a.
Mr. Smialowski ⁽⁴⁾	\$1,150,000	\$1,150,000	100%	n.a.

- (1) In accordance with Mr. Pizsel's and Mr. Perlman's offer letters and Mr. Syron's amended employment agreement, respectively.
- (2) For 2007 performance only. Excludes a special extension bonus of \$1,250,000 that is reported for Mr. Syron in the Summary Compensation Table below. The special extension bonus was paid to Mr. Syron in December 2007 for his agreement to extend the terms of his employment agreement. See "Executive Compensation — Employment and Separation Agreements — *Richard F. Syron*."
- (3) Mr. McQuade terminated his employment effective September 1, 2007 and did not receive an annual bonus in respect of his performance in 2007.
- (4) Mr. Smialowski resigned his position as Executive Vice President, Operations and Technology effective June 30, 2007 and terminated his employment effective December 31, 2007. The cash bonus reported was paid on January 31, 2008 pursuant to his transition period agreement, which became effective June 29, 2007. See "Executive Compensation — Potential Payments Upon Termination or Change in Control — *Joseph A. Smialowski*" below.

Mr. Syron

Mr. Syron's individual 2007 performance was evaluated based on the company's performance against the 2007 Bonus Funding Scorecard objectives and other achievements not reflected on the Scorecard. Despite the fact that a substantial portion of the 2007 Bonus Funding Scorecard objectives were achieved, in determining Mr. Syron's 2007 bonus, the CHRC considered the financial performance of the company during the year, the "below plan" performance on the Efficiency Scorecard objective and a modest shortfall on the Mission and Touch More Loans Scorecard objectives. Mr. Syron's 2007 bonus also reflects the fact that he is accountable for the success of the organization and for assuring that the pay-for-performance philosophy is executed through compensation decisions.

In its evaluation of Mr. Syron's 2007 performance, the CHRC also determined that, notwithstanding the financial performance of the company during 2007, the company, under Mr. Syron's leadership, substantially achieved or exceeded a number of the non-financial 2007 Scorecard performance objectives designed to build long-term shareholder value. As discussed under "*CHRC Assessment of 2007 Corporate Performance*" above, Mr. Syron also led the accomplishment of a number of objectives above and beyond the 2007 Scorecard. Furthermore, Mr. Syron has effectively carried out the duties of both the Chief Executive Officer and President

since Mr. McQuade, the company's former President and Chief Operating Officer, announced his departure in May 2007. Mr. Syron will continue to fulfill both of these roles until a successor Chief Executive Officer is appointed. In the CHRC's view, through Mr. Syron's leadership, the company is leading the home mortgage industry through the subprime crisis by establishing appropriate guidelines regarding subprime lending practices and responding to the needs of a mortgage market that continues to experience severe volatility.

The CHRC determined that the Chief Executive Officer's total actual 2007 direct compensation was appropriate after taking into account the factors described above, as well as the following:

- our Chief Executive Officer's total direct compensation level is consistent with competitive market practices, as reflected by Chief Executive Officer pay in our Comparator Group;
- our Chief Executive Officer has a much broader scope of responsibility than that of other executive officers within the company;
- our Chief Executive Officer has been carrying out the duties of both the Chief Executive Officer and President since mid-2007; and
- our Chief Executive Officer is the primary leader responsible for external representation.

Mr. Pizel

Mr. Pizel's performance for 2007 was evaluated primarily based on the company's performance against one of the most critical 2007 Bonus Funding Scorecard objectives – Accounting and Controls – and other division-specific performance objectives that Mr. Syron established for 2007. The CHRC agreed with management's assessment that, under Mr. Pizel's leadership, we achieved "above plan" performance on the Accounting and Controls scorecard objective. More specifically, Mr. Pizel was able to exceed this objective by directing our return to quarterly financial reporting in 2007 and substantially completing the Comprehensive Plan. The company also successfully designed and implemented controls for our financial reporting. Additionally, we have strengthened our internal controls during 2007 by achieving a number of significant milestones. For more information, see "CONTROLS AND PROCEDURES — Internal Control Over Financial Reporting" in the accompanying Annual Report. With respect to additional achievements not captured by the 2007 Bonus Funding Scorecard, the CHRC also determined that Mr. Pizel quickly developed a plan for SEC registration and has made substantial progress executing on the plan.

Ms. Cook

Ms. Cook's performance for 2007 was evaluated based on the company's performance against several 2007 Bonus Funding Scorecard objectives and other division-specific performance objectives that Mr. Syron and Ms. Cook established for 2007. On the three 2007 Bonus Funding Scorecard objectives for which Ms. Cook was primarily responsible, the CHRC agreed with management's assessment that we fell slightly short on two (Mission and Touch More Loans), and were farther below plan on one (Shareholder Value). With respect to additional achievements not captured by the 2007 Bonus Funding Scorecard, however, the CHRC agreed with management's assessment that Ms. Cook played a significant role in our December 2007 \$6 billion preferred stock offering and our market-leading response to early signs of the subprime crisis. In addition,

Ms. Cook assumed formal responsibility for three additional divisions in June 2007 and has been informally responsible for these areas since late 2006 without any adjustment to her compensation.

Mr. Perlman

Because Mr. Perlman joined Freddie Mac in August 2007, his performance was not assessed based on 2007 Bonus Funding Scorecard objectives. The CHRC agreed with management's assessment that Mr. Perlman has had an immediate impact on moving forward several major initiatives. For example, his leadership and business expertise enabled us to progress significantly on the Comprehensive Plan with respect to the remediation of several material weaknesses and significant deficiencies in our internal controls. The CHRC also agreed with management's assessment that Mr. Perlman played a significant role in our ability to absorb the significantly increased and unplanned volume of multifamily loans in 2007 by reallocating staff, adopting a variety of efficiencies, and utilizing outsourcing in order to provide capacity to our business units and our customers. More importantly, we were able to absorb this additional volume without increasing our general and administrative costs and without incurring significant disruptions. Further, the CHRC agreed with management's assessment that Mr. Perlman has made progress in improving efficiency in the operations and technology division, including substantially reducing our reliance on external contractors.

Mr. May

Mr. May's performance for 2007 was evaluated based on one of the company's 2007 Bonus Funding Scorecard objectives, division-specific performance objectives that Ms. Cook and Mr. May established for 2007, and other accomplishments. On the 2007 Bonus Funding Scorecard objective for which Mr. May had the greatest influence (Touch More Loans), we fell slightly short of our objective. With respect to the division-specific objectives, Mr. May accomplished several initiatives to ensure that the Multifamily division is prepared to meet future challenges and substantially accomplish the division's financial objectives. A new organizational structure was developed and implemented to achieve the business objective of enhancing the speed of service to effectively meet the needs of customers. Additionally, the Multifamily division met the market demand and processed record volumes in the second half of the year, which included the largest transaction in the history of the division.

Chief Executive Officer Special Performance Award Opportunity

In connection with Mr. Syron's extension agreement in November 2007, the CHRC and other non-employee directors approved the establishment of a special, one-time cash performance award opportunity for Mr. Syron. The award opportunity was designed to provide additional incentive and recognition for the completion of key tasks over the period from June 1, 2007 through September 30, 2009. These key tasks are beyond the performance measures established by the 2007 Bonus Funding Scorecard. This award is consistent with our pay-for-performance philosophy, which requires the demonstration and evaluation of performance prior to payment. The award is subject to the conditions outlined in Mr. Syron's amended employment agreement and Mr. Syron may not defer payment of this award until a later date.

The CHRC first set the parameters of the award and developed a list of critical infrastructure, control and cultural objectives that would significantly benefit shareholder interests over the two-year period. The CHRC believed that, if accomplished, these achievements would result in

Compensation Discussion and Analysis

substantial enhancement of shareholder value. The maximum amount payable under this award would place Mr. Syron's compensation between the 50th and 75th percentile of the Comparator Group data. After receiving advice from Hewitt, the CHRC concluded that this would be appropriate compensation for superior levels of performance. The agreement was reviewed by OFHEO.

The performance determination will be made by the CHRC at a meeting in the third quarter of 2009. The actual payment, if any, will be made as soon as administratively practicable following the determination of performance, but no later than October 31, 2009.

The amount of the actual award will range from \$0 to \$6 million, with no guarantee that any payment will be made. The specific award amount will be determined by the CHRC, in its sole discretion, based on a reasonable relationship to the number and relative significance and/or strategic value of performance milestones (described below) that the company achieves either in whole or part over the performance period. In determining the actual award amount to be paid to Mr. Syron, the CHRC will obtain and consider the views of the other non-employee directors. The CHRC will also consider Mr. Syron's actual compensation under our standard annual compensation program during the performance period, and how it compares to the compensation of Chief Executive Officers in the Comparator Group.

<u>Payout Level</u>	<u>Award Size as % of Target</u>	<u>Description</u>
Minimum	0%	No milestones achieved
	1% – 99%	Some, but not all milestones are achieved in whole or part as described above.
Maximum	100%	All milestones achieved

The performance milestones*, which will be measured from June 1, 2007 through September 30, 2009, are:

- Remediate all material weaknesses and significant deficiencies disclosed in the 2006 annual report dated March 23, 2007.
- Return to timely and sustainable financial reporting with the expectation that we will achieve compliance with Section 404(a) of the Sarbanes-Oxley Act of 2002 with the issuance of our 2009 financial statements and substantial completion of each element of the Comprehensive Plan.
- Make material improvements in the information technology (IT) infrastructure. [Sustained and reliable operation of IT general controls, remediation of all technology-related material weaknesses and significant deficiencies, consistent application of the systems development life cycle, progress on the development of an end-to-end platform for distributing credit risk exceeding the company's risk profile, completion of systems work necessary to support SEC registrant reporting, timely completion of major system projects as reported from time to time to the Mission, Sourcing and Technology Committee, improving ability of legacy systems to interface easily with external, third-party IT solutions.]
- Complete SEC registration under the Exchange Act.

* Information/data listed in brackets following certain measures are the type of information, both objective and subjective, which the CHRC will take into consideration in determining whether the milestone has been achieved.

- Manage a smooth succession process for the Chief Executive Officer position. [Quality of the Chief Executive Officer search process, speed and success of integrating the new Chief Executive Officer into the company's management team, success in transitioning day-to-day business operations responsibilities to the new Chief Executive Officer.]
- Substantially enhance the leadership strength of our executive team and the Board. Enhance the level of alignment and collaboration within both our executive team and the Board. [Increase in ready-now candidates for critical succession roles, increase success in filling critical succession roles with internal candidates, increase representation of minority and female officers, success expanding key experience/competency needs when new Board members are selected.]
- Improve the company's ability to identify and respond to new mission needs and capital market changes and execute on those opportunities that enhance our housing mission and long-term shareholder value. [Success aligning the company's efforts to improve its financial performance consistent with our mission, success helping shape the new affordable housing goals to focus on delivering housing opportunity directly to our mission constituents, success developing and delivering to market viable, non-predatory sub-prime loan products, providing liquidity, affordability and stability to residential mortgage markets.]
- Demonstrate substantial progress toward embedding a pay-for-performance culture. [Increasing the level of bonus differentiation versus 2005 results, maintaining an appropriate distribution of performance ratings that aligns with business performance, maintaining bonus payouts linked directly to actual performance against annual Scorecard, utilizing performance features in multiple elements of the pay structure for executive officers.]
- Demonstrate substantial progress in managing the company within the current and future legislative and regulatory framework. [Informing regulators, Congress and industry groups on the impact of proposed legislative and regulatory actions on the GSEs and providing constructive solutions to respond to legislative and regulatory changes and concerns; addressing concerns raised by Congress, regulators and industry groups regarding how GSEs fulfill their mission as well as concerns regarding potential safety and soundness issues; achieving compliance with the rules and standards under which the GSEs will operate.]
- Achieve meaningful enhancement of shareholder economic value. [Determining appropriate metrics to measure fair value; year-over-year adjusted GAAP results; return on capital; changes in market share; credit performance; quality and effectiveness of profitability measures.]

The accomplishment of most or all of these milestones would result in a dramatic transformation of the company as compared to its position in late 2003, when Mr. Syron assumed leadership.

The CHRC is responsible for exercising its judgment at the end of the performance period to assess all relevant information, including the information outlined above, to determine the extent to which the performance milestones have been achieved in whole or part (as defined above), in deciding what amount, if any, of the award opportunity should be paid.

This is a special award intended to recognize the achievement of specific performance criteria prior to September 30, 2009. Our normal plan termination provisions do not apply to this opportunity. In the event of death, disability or involuntary termination by us without cause or

termination by Mr. Syron for Good Reason (as such term is defined in Mr. Syron's Employment Agreement) prior to September 30, 2009, the entire award will be forfeited unless the CHRC, in its sole discretion, determines that some or all of the performance milestones had been achieved prior to the event of death, disability, or involuntary termination by us without cause or termination by Mr. Syron for Good Reason. In the event of termination by us for cause or voluntary termination by Mr. Syron other than for Good Reason prior to September 30, 2009, the entire award will be forfeited.

The November 9, 2007 amendment to Mr. Syron's employment agreement includes an escrow provision under which up to \$4 million of the special performance award payment would, under specified circumstances, be escrowed for a period of one year after the payment of the award.

2007 Long-Term Equity Awards

A significant portion of our named executive officers' compensation is in the form of long-term equity awards, to ensure that the executive officers' financial interests are well aligned with the long-term interests of our stockholders. In addition, long-term equity compensation is a key component of our compensation structure that enables us to motivate leaders and key employees and encourage them to provide long-term service.

In setting the target long-term equity awards for 2007 for each of the named executive officers, the CHRC considered the factors discussed under "Evaluating and Targeting Executive Compensation" above and the terms of our named executive officers' employment agreements and offer letters.

Awards granted to named executive officers in March 2008 for performance in 2007 were entirely in the form of RSUs. As discussed below under "RSUs," a portion of these RSUs are subject to a performance-based vesting condition. The value of the equity awards increases or decreases with changes in the value of Freddie Mac stock. The equity awards thus focus executives on improving the long-term value of Freddie Mac through continued productive service subsequent to the date of the award.

In March 2008, the CHRC determined the actual RSU awards to the named executive officers in respect of 2007 performance. Overall, the CHRC determined it was appropriate that each of the named executive officers' actual award was equal to or greater than their target, despite the challenging market and regulatory conditions that prevailed during 2007. The CHRC made this decision in order to recognize that a number of actions and accomplishments by management better position the company for the future. The individual executive's amount of these long-term equity awards was based on a number of factors, including:

- The executive's performance and contribution during 2007, as discussed under "2007 Annual Bonus Compensation — *Individual Performance Assessments*" above;
- The executive's potential for making future contributions and ability to assume greater responsibility and leadership roles;
- The engagement and retention of the executive;
- Criticality of the executive's skills;

- The executive’s total direct compensation compared to competitive market levels; and
- The performance of the company against the 2007 Bonus Funding Scorecard.

Messrs. McQuade and Smialowski were no longer with the company and did not receive a long-term equity award for 2007.

The following table summarizes targets and the value of long-term equity awards actually granted to the named executive officers for their performance during 2007:

	For Performance During 2007 ⁽¹⁾		
	Target Long-Term Equity Award	Actual Award	Actual Award as % of Target
Mr. Syron	\$9,400,000 ⁽²⁾	\$10,000,000	106%
Mr. Pizsel	\$3,000,000 ⁽²⁾	\$ 3,200,000	107%
Ms. Cook	\$2,600,000	\$ 2,800,000	108%
Mr. Perlman	\$1,525,000 ⁽²⁾	\$ 1,600,000	105%
Mr. May	\$ 677,000	\$ 677,000	100%
Mr. McQuade ⁽³⁾	\$6,000,000	n.a.	n.a.
Mr. Smialowski ⁽⁴⁾	\$2,100,000	n.a.	n.a.

- (1) The long-term equity awards in respect of performance during 2007 were granted in March 2008 and will also be reported in our 2009 proxy statement.
- (2) In accordance with Mr. Pizsel’s and Mr. Perlman’s offer letters and Mr. Syron’s amended employment agreement, respectively.
- (3) Mr. McQuade terminated his employment effective September 1, 2007 and did not receive a long-term equity award in respect of his performance during 2007.
- (4) Mr. Smialowski terminated his employment effective December 31, 2007 and did not receive a long-term equity award in respect of his performance during 2007.

RSUs

General. An RSU represents a conditional contractual right to receive one share of our common stock at a specified future date subject to certain restrictions (*i.e.*, the vesting period, and, in certain cases, performance-based conditions or criteria). The underlying stock is not issued until the restrictions lapse, at which time the RSU is settled or, if previously elected by the grantee for grants made prior to 2008, deferred. See “Other Executive Benefits, including Perquisites and Retirement Benefits — Executive Deferred Compensation and Supplemental Executive Retirement Plan” below for more information regarding the deferral of RSUs. In the event a cash dividend is declared and paid on our common stock, holders of RSUs will receive dividend equivalents, paid out in cash promptly after the payment date for such dividend, equal to the number of RSUs held by the executive officer multiplied by the dividend paid on each outstanding share of our common stock. RSUs do not have voting rights because they are not considered legally issued or outstanding shares.

RSUs granted as part of annual long-term equity awards generally vest in four installments at the rate of 25% on each anniversary of the grant date. Of the awards of RSUs made to our named executive officers in March 2008 for their 2007 performance, 25% are subject to an additional performance vesting criterion. The satisfaction of this requirement will be determined in the sole discretion of the CHRC. In order for these RSUs to be considered earned, the CHRC must determine no later than March 31, 2009 that management completed the process of registering our common stock with the SEC. If earned, these RSUs will be subject to the same time-based vesting

as the other RSUs held by our named executive officers and will vest with respect to 25% of the award in March 2009, 2010, 2011 and 2012.

As reported in our May 7, 2007 proxy statement, of the awards of RSUs made to our named executive officers in March 2007 for their 2006 performance, 25% also were subject to an additional performance vesting criterion. At its January 31, 2008 meeting, the CHRC determined that this criterion was met. The CHRC determined that the company is in a substantially better position to compete in the marketplace as compared to the company's positioning at the beginning of 2007 due to substantial progress improving controls, preparing for a return to timely financial reporting and for SEC registration, improving risk management capabilities, improving the pay-for-performance culture, retaining key staff, and assuring sufficient capitalization to weather the mortgage market downturn.

Valuation of RSUs. In awarding RSUs, the CHRC first approves a dollar value of the RSUs to be awarded. The number of RSUs awarded to each executive officer is then calculated by dividing the dollar amount of the award by the closing price of our common stock on the date of grant.

In 2006, the CHRC decided to eliminate the use of an economic discount in converting the approved dollar value of long-term equity awards into a specific number of RSUs. The discount had been applied to the fair market value of the company's common stock on the date of RSU grants, and had the effect of increasing the specific number of RSUs awarded in order to reflect the risk of forfeiture during the restricted period. The CHRC requested that management develop an economically neutral transition plan in order to minimize the impact of the elimination of the discount on award recipients. At the March 3, 2007 meeting, the CHRC approved a change in the methodology used to calculate the number of RSUs subject to an award by eliminating the economic discount. The change in methodology resulted in the value of the RSU portion of the long-term equity award being adjusted upwards by approximately 11% for Ms. Cook and Messrs. May and Smialowski. This change in methodology resulted in an economically neutral outcome from the company's perspective. It did not result in additional cost to the company and did not provide the employee with greater value, because the upward adjustment of the long-term equity award targets was offset by the elimination of the economic discount in determining the specific number of RSU awards.

For Messrs. Syron and McQuade, this change in methodology was not applicable and, for Mr. Syron, will not be applicable in the future, because in 2006 they requested not to have their target long-term equity awards adjusted upward. Additionally, this adjustment is not applicable to Mr. Pizsel, or other executive officers with an employment agreement or offer letter that sets forth a defined dollar value for the annual long-term equity award.

Stock Options

General. Each stock option entitles its holder to purchase one share of our stock at its fair market value on the date that the option was granted. Stock options granted as part of long-term incentive awards generally vest in four installments at the rate of 25% on each anniversary of the grant date. For example, the stock options granted to executive officers in June 2006 vested with respect to 25% of the award in June 2007 and will vest with respect to 25% of the award in each of June 2008, 2009, and 2010. The company has not granted stock options to executive officers since June 2006.

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

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

Awards made in 2008 for performance by the named executive officers in 2007 were solely in the form of RSUs. The CHRC's decision to deliver the annual long-term incentive award in RSUs was determined as part of its annual review of executive compensation. Factors considered included long-term incentives that are appropriate for internal desired outcomes, competitive market practices at both the companies in the Comparator Group and the financial services industry, and the greater retention value of RSUs versus stock options. A major consideration in the CHRC's decision to use solely RSUs was the CHRC's conclusion that during our ongoing restructuring period, RSUs better achieved a number of internal objectives, including:

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

Other Executive Benefits, Including Perquisites and Retirement Benefits

Generally Available Benefits

Health and Welfare Plans

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

Tax-Qualified Defined Benefit and Defined Contribution Retirement Plans

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

the “Summary Compensation” and “Pension Benefits” tables and narrative disclosures in the “Executive Compensation” section below.

Executive Deferred Compensation and Supplemental Executive Retirement Plans

During 2007, the named executive officers were eligible to participate in the Freddie Mac 2002 Executive Deferred Compensation Plan, or the Executive Deferred Compensation Plan, which allowed them to elect to defer a portion of their annual salary and all of their cash bonus and the settlement of their RSUs received under our stock plan. Effective January 1, 2008, the Executive Deferred Compensation Plan has been amended and restated to redesign the plan and bring the plan into documentary compliance with Code Section 409A. Among the changes made to the plan is the prospective elimination of the deferred settlement of RSUs for RSUs granted in 2008 and later years and a limitation on the amount of annual salary that may be deferred equal to 80% of such salary. The named executive officers were eligible to defer settlement of RSUs granted in 2007. While Mr. May has a deferred compensation balance, none of our named executive officers deferred receipt of salary or bonus under the Executive Deferred Compensation Plan in 2007. Mr. Perlman deferred the settlement of his sign-on award RSU grant received in 2007. For more information, see “Executive Compensation — Non-Qualified Deferred Compensation” below.

The named executive officers were also eligible to participate in the Freddie Mac Supplemental Executive Retirement Plan (SERP) during 2007. This plan was also amended and restated effective January 1, 2008 to redesign the plan and bring the plan into documentary compliance with Code Section 409A. This plan has two components, one of which corresponds to the Pension Plan and the other of which corresponds to the Thrift/401(k) Savings Plan. The Pension SERP Benefit (which used to be called the “Restoration Benefit” prior to the SERP’s restatement) provides participants with the full amount of benefits to which they would have been entitled under the Pension Plan if that plan (1) was not subject to certain limits on compensation and benefits that can be taken into account under the Code and (2) did not exclude from compensation amounts deferred under our Executive Deferred Compensation Plan. The Thrift/401(k) SERP Benefit (which used to be known as the “Make-Up Contribution” prior to the SERP’s restatement) provides participants with the full amount of benefits to which they would have been entitled under the Thrift/401(k) Savings Plan if that plan (1) was not subject to certain limits under the Code and (2) did not exclude from compensation amounts deferred under our Executive Deferred Compensation Plan. We believe that the SERP is an appropriate benefit because offering such a benefit helps us remain competitive with companies in our Comparator Group.

For specific information on the accruals and earnings under the Thrift/401(k) SERP Benefit for each of the named executive officers, see the “Non-qualified Deferred Compensation” table and accompanying narrative disclosures below. For a summary of our pension benefit obligations to the named executive officers, including under our tax-qualified pension plan and the Pension SERP Benefit, see the “Pension Benefits” table and narrative disclosures below.

Perquisites and Additional Life and Disability Insurance Payments

Certain perquisites are made available to our named executive officers. These include financial planning services, relocation reimbursements and related tax gross-ups, home security systems (Chief Executive Officer and Chief Operating Officer only), personal use of a car and driver for commuting transportation in the Washington, D.C. area and related tax gross-ups (Chief Executive Officer and Chief Operating Officer only), payment of spousal business travel and spousal dining

costs for business purposes and related tax gross-ups, and the accompaniment of spouses and other family on charter aircraft business travel so long as there is no incremental cost to the company. These types of perquisites are common among executives in our industry. In addition, providing them as perquisites (as opposed to increasing base salary in an amount designed to compensate for the loss of these perquisites) avoids the increase that would otherwise occur in certain other benefit costs that are based on the level of an executive's base salary. Further details regarding these perquisites are contained in the Summary Compensation Table and accompanying footnotes. The Summary Compensation Table also details certain payments for life and disability insurance made on behalf of the named executive officers.

Post-Termination Compensation

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

The termination provisions differ significantly among the named executive officers, all of whom, with the exception of Mr. May, have either employment agreements or offer letters with certain minimum compensation guarantees. These differences grew out of the different negotiations that occurred with respect to the employment of the named executive officers, all of whom, with the exception of Mr. May, were hired after the restatement, between December 31, 2003 and August 1, 2007. During the negotiations with our named executive officers, we relied on the advice of Hewitt and competitive market survey data in the financial services industry provided by Hewitt in structuring the post-employment compensation arrangements. Each arrangement was entered into following arms-length negotiations with the named executive officer. In addition, each post-employment compensation arrangement was submitted to OFHEO for its review and approval pursuant to statutory and regulatory requirements that OFHEO determine whether termination benefits to be provided to our executive officers are comparable to benefits that would be provided to officers of other public and private entities involved in financial services and housing interests who have comparable duties and responsibilities. In light of the restructuring efforts that began in 2003 and which are still underway and the relatively late stages in their careers of some of our new named executive officers, it was not unexpected that a condition of their accepting employment was our provision of significant protections if their employment is terminated without cause or they terminate for good reason during the early years of their employment with us.

Compensation Committee Discretion

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

Timing of Equity Grants

Freddie Mac has a policy for the dating of equity grants, including annual long-term equity incentive awards and other awards such as sign-on awards. In recommending the effective date of grant for the annual long-term equity incentive award to all eligible employees, including named executive officers, management considers, based on discussions with our Legal Division, the timing of the release of material, non-public information and other risks. If there is no material non-public information pending, then the recommended effective date is the date of the meeting at which the award is approved by the CHRC. If there is material non-public information pending, the effective date of grant is deferred to the third business day after the date of the public announcement and release of the material non-public information. Neither management nor the CHRC have in the past or plan in the future to time the release of material non-public information for the purpose of affecting the value and amount of equity incentive awards.

In the case of sign-on awards, the policy requires that the effective date of grant is the next regularly scheduled meeting of the CHRC following the CHRC's approval and the individual's first date of employment, even if the CHRC decides not to meet on such date. With respect to stock-based incentive awards other than annual awards and sign-on awards, and subject to deferral of effective dates of grant until the third business day after public release in the case of pending material non-public information, the effective date of grant is generally the date of the meeting at which the award is approved by the CHRC, subject to deferral as described above for annual awards.

Adjustment or Recovery of Awards

Our standard RSU and stock option award agreements provide that any unvested RSUs and any unexercised stock options, whether or not vested, would be immediately canceled and forfeited and that the recipient would be required to repay all after-tax gains recognized upon the vesting of RSUs or exercise of our stock options under the award in the event that the employee seeks or accepts employment with one of our competitors. After we register our common stock with the SEC we will become subject to Section 304 of the Sarbanes-Oxley Act, which provides that if we are required to restate our financials due to material noncompliance with any financial reporting requirements as a result of misconduct, our Chief Executive Officer and our Chief Financial Officer must reimburse us for (1) any bonus or other incentive-based or equity-based compensation received during the 12 months following the first public issuance of the non-complying document, and (2) any profits realized from the sale of our securities during those 12 months. Additionally, OFHEO could require us to seek to include language regarding adjustments or return of prior stock awards in employment agreements we may seek to enter into in the future.

Stock Ownership Guidelines

We expect our directors and officers to own our common stock. A significant portion of director and executive compensation is paid in common stock, as described in greater detail herein and in "Proposal 1: Election of Directors — Board Compensation". We believe that stock ownership by our directors and executive officers aligns their interests with the long-term interests of our stockholders.

We expect our Chief Executive Officer to own, within four years of each such officer's date of hire or promotion, as appropriate, Freddie Mac stock with a fair market value equal to five times

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

- retains all Freddie Mac stock the officer owned as of the later of January 31, 2006 or the date the executive officer is hired or promoted into an executive officer position; and
- retains all Freddie Mac stock acquired through the settlement of restricted stock units (net of shares withheld for taxes) for which the restrictions have lapsed, or for which the restrictions lapse in the future.

For information on our stock ownership requirements for non-employee directors, see "Proposal 1: Election of Directors — Board Compensation — *Non-Employee Director Stock Ownership Guidelines*."

EXECUTIVE COMPENSATION

Compensation Tables

The following tables set forth compensation information for our Chief Executive Officer, our Chief Financial Officer, our three other most highly compensated executive officers who were serving as executive officers as of December 31, 2007 and two former executive officers who otherwise would have been listed in the table, but had ceased to be executive officers before December 31, 2007.

Summary Compensation Table

Name and Principal Position	Year	Salary ⁽¹⁾	Bonus ⁽²⁾	Stock Awards ⁽³⁾	Option Awards ⁽³⁾	Change in Pension Value and Nonqualified Deferred Compensation Earnings ⁽⁴⁾	All Other Compensation ⁽⁵⁾	Total
Richard F. Syron Chairman of the Board and Chief Executive Officer	2007	\$1,200,000	\$3,450,000	\$8,662,876	\$3,471,051	\$734,063	\$771,585	\$18,289,575
	2006	1,100,000	2,400,000	7,162,448	3,261,460	355,273	453,882	14,733,063
Anthony S. Piszal ⁽⁶⁾ Executive Vice President and Chief Financial Officer	2007	650,000	1,350,000	1,875,521	0	84,038	352,469	4,312,028
	2006	88,750	3,100,000	93,593	0	0	367,954	3,650,297
Patricia L. Cook ⁽⁶⁾ Executive Vice President and Chief Business Officer	2007	600,000	1,400,000	1,717,224	603,851	225,550	302,578	4,849,203
	2006	600,000	2,300,000	1,118,767	533,747	221,353	123,062	4,896,929
Michael Perlman ⁽⁶⁾ Executive Vice President, Operations and Technology	2007	208,333	1,775,000	127,989	0	0	73,451	2,184,773
Michael C. May Senior Vice President, Multifamily Sourcing	2007	418,000	715,000	599,423	281,262	194,772	140,921	2,349,378
Eugene M. McQuade ⁽⁶⁾ Former President and Chief Operating Officer	2007	600,000	0	2,208,341	500,894	0	446,091	3,755,326
	2006	900,000	1,500,000	3,627,289	1,088,677	193,180	338,313	7,647,459
Joseph A. Smialowski ⁽⁶⁾ Former Executive Vice President, Operations and Technology	2007	550,000	1,350,000	549,830	162,195	0	158,649	2,770,674
	2006	541,667	975,000	776,270	308,145	148,351	70,078	2,819,511

The stock and option award amounts used to calculate total compensation shown above are not the amounts granted to or actually realized by our named executive officers in 2006 or 2007, but rather the compensation expense recognized by Freddie Mac in the year shown for the named executive officers' restricted stock unit awards and option awards as determined under SFAS 123(R). For example, in the table above, the value disclosed for stock and option awards is the SFAS 123(R) expense recognized in 2007 for Mr. Syron's restricted stock unit awards and option awards, \$12,133,927. The actual fair market value of stock options that were exercised and the restricted stock unit awards that vested in 2007 was \$4,433,106. This results in a \$7,700,821 difference between total 2007 compensation using the SFAS 123(R) expense (reflected in the table above) and the total 2007 compensation using the value of stock options that were exercised and restricted stock units that vested in 2007. The chart below compares the 2007 total compensation for all named executive officers as reflected in the Summary Compensation Table with the total compensation for 2007 using the fair market value of stock options that were exercised and restricted stock units that vested in 2007.

Name	Total 2007 Compensation Using SFAS 123(R) Expense	Total 2007 Compensation Using Value of Stock Options Exercised and Restricted Stock Awards Vesting in 2007
Mr. Syron	\$18,289,575	\$10,588,754
Mr. Piszal	4,312,028	3,137,889
Ms. Cook	4,849,203	3,891,280
Mr. Perlman	2,184,773	2,056,784
Mr. May	2,349,378	2,042,768
Mr. McQuade	3,755,326	5,203,895
Mr. Smialowski	2,770,674	2,983,850

Executive Compensation

- (1) Mr. Syron's 2007 salary of \$1,200,000 was attributable to his annual salary of \$1,100,000 from January 1, 2007 through June 30, 2007 and \$1,300,000 from July 1, 2007 through December 31, 2007. Mr. Perlman's 2007 salary of \$208,333 was attributable to the period from his employment date, August 1, 2007, through December 31, 2007, based on an annual salary of \$500,000. Mr. McQuade's 2007 salary of \$600,000 was attributable to his annual salary of \$900,000 from January 1, 2007 through his termination date of September 1, 2007.
- (2) Except as otherwise noted, amounts reported for all named executive officers are for performance in 2006 and 2007. Mr. Syron's bonus in 2007 includes a special extension bonus of \$1,250,000 for his agreement to extend the terms of his employment agreement. Mr. Pizsel's bonus in 2006 includes a one-time cash sign-on bonus of \$2,500,000 that is subject to repayment under certain circumstances. Mr. Perlman's bonus includes a one-time cash sign-on bonus of \$550,000 that is subject to repayment under certain circumstances. Mr. May's bonus includes a retention bonus of \$250,000. Mr. Smialowski's bonus in 2007 is in accordance with his Transition Period Agreement dated May 18, 2007 and is the sum of \$1,150,000 attributable to his annual bonus for performance in 2007, and a \$200,000 supplemental cash payment. The 2006 annual bonus amounts were approved by the CHRC on March 3, 2007 and paid on March 16, 2007. The 2007 annual bonus amounts were approved by the CHRC on March 7, 2008 and paid on March 17, 2008. For information regarding guaranteed bonuses and contractual target bonuses for Messrs. Syron, Pizsel, Perlman and Smialowski, see "Employment and Separation Agreements" below.
- (3) See Note 10 to the consolidated financial statements included in the accompanying Annual Report for a discussion of the assumptions made in determining SFAS 123(R) values. The amounts reported disregard estimates of forfeitures for awards with service-based vesting conditions. There can be no assurance that the SFAS 123(R) amounts will ever be realized by any named executive officer.

Grants of RSUs include the right to receive dividend equivalents. Prior to January 1, 2006, stock options also had dividend equivalent rights on each share underlying the option equal to the dividend per share declared and paid on our outstanding common stock. For stock options vested as of December 31, 2004, dividend equivalents are accrued and are payable in cash upon exercise or expiration of the option. In response to Code Section 409A, the CHRC approved a modification of the terms of certain outstanding stock options granted under the 2004 Employee Plan. In particular, the terms of any stock option grant or portion thereof outstanding as of December 31, 2005 that was not vested as of December 31, 2004 were modified to eliminate the accrual of dividend equivalents. Dividend equivalents accrued through December 31, 2005 with respect to these stock options were distributed in a lump sum in 2006. Thereafter, dividend equivalents with respect to these stock options will not accrue but will be distributed as soon as practicable after dividends on our common stock have been declared. Beginning January 1, 2006, dividend equivalents are no longer granted in connection with awards of stock options.

The value of dividend equivalents is recognized in the compensation expense of the stock option and RSU awards shown in the Summary Compensation Table. The table below shows the actual amount of cash dividend equivalents paid in 2006 and 2007 to the named executive officers on their outstanding RSU awards and the portions of their outstanding stock option awards that were not vested and exercisable before January 1, 2005.

	Year	Dividend Equivalents Paid on RSUs	Dividend Equivalents Paid on Stock Options	Total Dividend Equivalents Paid
Mr. Syron	2007	\$400,489	\$ 497,955	\$ 898,444
	2006	471,555	1,180,719	1,652,274
Mr. Pizsel	2007	168,561	0	168,561
	2006	39,470	0	39,470
Ms. Cook	2007	121,704	84,255	205,959
	2006	111,177	190,655	301,832
Mr. Perlman	2007	10,103	0	10,103
Mr. May	2007	42,466	56,783	99,249
Mr. McQuade	2007	183,842	140,963	324,805
	2006	288,602	347,332	635,934
Mr. Smialowski	2007	97,893	42,300	140,193
	2006	83,212	86,856	170,068

Executive Compensation

- (4) Amounts reported reflect the actuarial increase in the present value of each named executive officer's accrued benefits under our Pension Plan and the Pension SERP Benefit from September 30, 2005 to September 30, 2006 (for 2006) and from September 30, 2006 to September 30, 2007 (for 2007), determined using the assumptions applied in our consolidated financial statements for the years ended December 31, 2006 and 2007, respectively, and the normal retirement age of 65 specified in the Pension Plan. See Note 14 to the consolidated financial statements included in the accompanying Annual Report for a discussion of these assumptions. Present values are determined based on generational mortality tables developed by the Society of Actuaries' Retirement Plans Experience Committee. Mr. Pizsel was not a participant in the Pension Plan as of September 30, 2007, but became a participant as of December 31, 2007. The amounts reported for Mr. Pizsel reflect the actuarial increase in the present value from September 30, 2006 to September 30, 2007.

With the exception of Mr. May, the values reported include amounts that the named executive officers are not currently entitled to receive because such amounts are not yet vested. The amounts reported do not include values associated with retiree medical benefits, which are generally available to all employees. For additional information concerning the Pension Plan and the Pension SERP Benefit, see "Pension Benefits" below. For additional information concerning the Thrift/401(k) SERP Benefit, see "Non-qualified Deferred Compensation" below. The amounts reported for Mr. May also include the above-market earnings on his accumulated balance in the Executive Deferred Compensation Plan as of December 31, 2007. Deferrals under the Executive Deferred Compensation Plan are credited with interest compounded daily at the rate of: 1% per annum in excess of the prime rate as reported by the *Wall Street Journal* on the first business day of each calendar year during the deferral period. In 2007, interest was credited at a rate of 9.25% based on the prime rate on January 2, 2007 of 8.25% plus 1%. Nonqualified deferred compensation earnings included for Mr. May consisted of the above-market portion of interest paid in 2007, which was 3.69%, equal to the 9.25% credited minus 120% of the applicable federal long-term rate, or 5.56%.

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

	<u>Year</u>	<u>Thrift/401(k) Savings Plan Contributions</u>	<u>Thrift/401(k) SERP Accruals</u>	<u>Flex Dollars</u>	<u>Life and Disability Insurance Premiums</u>	<u>Perquisites</u>	<u>Tax Gross-Ups</u>
Mr. Syron	2007	\$17,041	\$435,575	\$22,344	\$167,694	\$117,731	\$11,200
	2006	13,200	229,375	22,344	167,694	15,114	6,155
Mr. Pizsel	2007	0	2,438	14,655	0	272,188	63,188
	2006	0	0	180	0	250,132	117,642
Ms. Cook	2007	13,666	275,200	13,712	0	0	0
	2006	13,100	96,250	13,712	0	0	0
Mr. Perlman	2007	0	0	1,986	0	45,572	25,893
Mr. May	2007	20,416	94,225	26,280	0	0	0
Mr. McQuade	2007	13,666	187,325	12,652	205,578	16,074	10,796
	2006	13,200	71,250	18,978	205,578	22,385	6,922
Mr. Smialowski	2007	13,666	130,492	13,867	0	0	624
	2006	7,167	49,767	13,144	0	0	0

Employer contributions to the Thrift/401(k) Savings Plan are available on the same terms to all of our employees. We match up to the first 6% of eligible compensation at 100% of the employee's contributions, with the percentage matched dependent upon the employee's length of service. Employee contributions and our matching contributions are invested in accordance with the employee's investment elections and are immediately vested. In addition, we have discretionary authority to make additional contributions to our Thrift/401(k) Savings Plan, referred to as the "basic contribution," that are allocated uniformly on behalf of each eligible employee, based on a stated percentage of each employee's eligible compensation. If the company decides to make a discretionary basic contribution, that contribution is made by the company after the end of the calendar year to which it relates. The formula for the contribution is 2% of pay up to the Social Security wage base, which was \$97,500 for 2007, and 4% of pay above the Social Security wage base. Discretionary basic contributions were approved and posted to employees' accounts in 2006 and 2007. In 2006 and 2007, employees became vested in the basic contribution after five years of service. For additional information regarding the Thrift/401(k) SERP Benefit, see "Non-qualified Deferred Compensation" below. Amounts for the Thrift/401(k) Savings Plan Contributions and Thrift/401(k) SERP Accruals include all contributions made in respect of each named executive officer without regard to vesting status.

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

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

Perquisites include financial planning, personal use of car and driver for commuting in the Washington, D.C. metro area (for Messrs. Syron and McQuade only), home security systems (for Messrs. Syron and McQuade only), spousal business travel and spousal dining for business purposes, legal fees incurred in connection with negotiating employment agreements and relocation expenses. Perquisites are valued at their aggregate incremental cost to Freddie Mac. Ms. Cook received no perquisites in 2006 and 2007. During the years reported, the aggregate value of perquisites furnished to Messrs. May and Smialowski was less than \$10,000.

For Mr. Syron, the perquisite cost reported for 2007 that exceeds the greater of \$25,000 or 10% of the total perquisite cost reported is \$100,000 for legal fees, approved by the Board, incurred in connection with his amended employment agreement. For Mr. Pizsel, the perquisite cost reported for 2006 and 2007 that exceeds the greater of \$25,000 or 10% of the total perquisite costs reported is \$225,132 and \$264,561, respectively for relocation expense. Aggregate cost to the company for this expense is calculated based on the actual cost of services. For Mr. Perlman, the perquisite cost recorded for 2007 that exceeds the greater of \$25,000 or 10% of the total perquisite costs reported is \$45,572 for relocation expense.

- (6) Ms. Cook became Executive Vice President and Chief Business Officer on June 5, 2007. Prior to that, she was Executive Vice President, Investments and Capital Markets. Mr. Perlman became Executive Vice President, Operations and Technology on August 1, 2007. Mr. McQuade resigned his position as President and Chief Operating Officer effective September 1, 2007. Mr. Smialowski resigned his position as Executive Vice President, Operations and Technology effective June 30, 2007 and served as a special advisor to the Chairman and Chief Executive Officer until December 31, 2007.

Grants of Plan-Based Awards — 2007

The following table contains information concerning grants of plan-based awards to each of the named executive officers during 2007. For more information on the equity awards to our named executive officers, including the timing of equity grants, see "Compensation Discussion and Analysis — RSUs" and "— Stock Options" above.

Name	Grant Date ⁽¹⁾	CHRC Approval Date ⁽¹⁾	Estimated Future Payouts Under Non-Equity Incentive Plan Awards	All Other Stock Awards: Number of Shares of Stock or Units (#) ⁽²⁾	Grant Date Fair Value of Stock and Option Awards ⁽³⁾ (\$)
			Target (\$)		
Mr. Syron	3/29/07	3/3/07		107,824	\$6,450,032
	3/29/07	3/3/07		35,942 ⁽⁵⁾	1,092,277
	12/6/07	6/8/07		21,564	800,024
			\$6,000,000 ⁽⁴⁾		
Mr. Pizsel	3/29/07	3/3/07		37,613	2,250,010
	3/29/07	3/3/07		12,538 ⁽⁵⁾	381,030
Ms. Cook.....	3/29/07	3/3/07		34,642	2,072,284
	3/29/07	3/3/07		11,548 ⁽⁵⁾	350,944
Mr. Perlman	9/6/07	9/6/07		20,206	1,200,034
Mr. May	3/29/07	3/3/07		8,777	525,040
	3/29/07	3/3/07		2,926 ⁽⁵⁾	88,921
Mr. McQuade.....	3/29/07	3/3/07		71,778	4,293,760
	3/29/07	3/3/07		23,926 ⁽⁵⁾⁽⁶⁾	727,111
Mr. Smialowski	3/29/07	3/3/07		27,997	1,674,781
	3/29/07	3/3/07		9,333 ⁽⁵⁾⁽⁶⁾	283,630

(1) Except as otherwise noted, these equity awards were made in 2007 in respect of the executive's performance in 2006. Mr. Syron's December 6, 2007 equity award and special performance award were made in connection with his amended employment agreement entered into in November 2007. The time between the June approval of Mr. Syron's grant and the December grant date resulted from the length of time to finalize negotiations on and obtain the required regulatory approvals for that agreement.

The CHRC approved the annual grant of RSUs and Performance RSUs for executive officers on March 3, 2007, with an effective grant date of March 29, 2007, which was the fourth business day of the open stock trading window period following the release of our fiscal year 2006 financial results.

(2) To determine the number of RSUs and Performance RSUs for the annual award, the CHRC first sets the dollar amount of RSUs and Performance RSUs to be awarded. On the grant date, that dollar amount is converted into RSUs and Performance RSUs by dividing the dollar amount of the award by the fair market value of our common stock on the grant date.

The RSUs granted to the named executive officers on March 29, 2007 vest at a rate of 25% in each of March 2008, 2009, 2010 and 2011. Because the CHRC has determined that the performance vesting requirement has been satisfied for the Performance RSUs, the Performance RSUs granted to the named executive officers on March 29, 2007 also vest at a rate of 25% in each of March 2008, 2009, 2010 and 2011. The RSUs granted to Mr. Syron on December 6, 2007 in connection with his amended employment agreement vest at a rate of 25% in each of December 2008, 2009, 2010 and 2011. The one-time sign-on RSU award granted to Mr. Perlman on September 6, 2007 will vest at a rate of 33.33% in each of September 2008, 2009 and 2010.

(3) The amounts reported in this column reflect the aggregate grant date fair value, determined in accordance with SFAS 123(R), of RSU and Performance RSU awards granted during 2007.

The grant date fair value of RSU and Performance RSU awards is calculated by multiplying the number of RSUs granted by the grant date fair value of our common stock. The grant date fair value of the RSU awards made in 2007 is based on the fair market value of our common stock on March 29, 2007, which was \$59.82. The grant date fair value of the Performance RSU awards made in 2007 is based on the fair market value of our common stock on January 31, 2008, which was \$30.39, because that was the date the CHRC determined that the performance vesting requirement had been satisfied. The grant date fair value of Mr. Syron's additional award is based on the fair market value of our common stock on December 6, 2007, which was \$37.10 and the grant date fair value for Mr. Perlman's award is based on the fair market value of our common stock on September 6, 2007, which was \$59.39.

(4) Mr. Syron was granted a Special Performance Award in connection with the November 9, 2007 amendment to his employment agreement. See "Compensation Discussion and Analysis — Compensation Structure — Chief Executive Officer Special Performance Award Opportunity" for more information regarding the Special Performance Award.

(5) Represents Performance RSUs. At its January 31, 2008 meeting, the CHRC determined that the performance vesting requirement for this Performance RSU grant was met.

(6) Because Messrs. McQuade and Smialowski had terminated their employment prior to the CHRC determination that the performance vesting requirement had been satisfied, these awards were cancelled, and the company is not recognizing any compensation expense for them.

Executive Compensation

Outstanding Equity Awards at Fiscal Year-End — 2007

The following table shows outstanding equity awards held by the named executive officers as of December 31, 2007.

Name	Option Awards				Stock Awards	
	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Option Exercise Price (\$) ⁽¹⁾	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested (\$) ⁽²⁾
Mr. Syron	124,935 ⁽³⁾	41,645 ⁽³⁾	\$64.36	08/08/14	18,908 ⁽³⁾	\$ 644,196
	82,695 ⁽⁴⁾	82,695 ⁽⁴⁾	62.69	05/05/15	38,825 ⁽⁴⁾	1,322,768
	32,857 ⁽⁴⁾	98,573 ⁽⁴⁾	60.45	06/04/16	90,578 ⁽⁴⁾	3,085,992
					107,824 ⁽⁴⁾	3,673,564
					35,942 ⁽⁵⁾	1,224,544
					21,564 ⁽⁶⁾	734,685
					59,205 ⁽⁷⁾	2,017,114
Mr. Pizsel	—	—	—	—	37,613 ⁽⁴⁾	1,281,475
					12,538 ⁽⁵⁾	427,170
Ms. Cook	13,935 ⁽⁴⁾	4,645 ⁽⁴⁾	64.63	08/01/14	4,280 ⁽⁴⁾	145,820
	18,795 ⁽⁴⁾	18,795 ⁽⁴⁾	62.69	05/05/15	8,825 ⁽⁴⁾	300,668
	9,895 ⁽⁴⁾	29,685 ⁽⁴⁾	60.45	06/04/16	27,300 ⁽⁴⁾	930,111
					34,642 ⁽⁴⁾	1,180,253
					11,548 ⁽⁵⁾	393,440
					20,206 ⁽⁸⁾	688,418
Mr. Perlman	—	—	—	—	—	—
Mr. May	2,770	0	60.75	03/04/09	—	—
	5,240	0	67.85	03/01/11	—	—
	6,900	0	64.35	02/29/12	—	—
	4,920 ⁽⁹⁾	1,640 ⁽⁹⁾	54.30	11/25/13	3,380 ⁽⁹⁾	115,157
	8,902 ⁽³⁾	2,968 ⁽³⁾	64.36	08/08/14	1,348 ⁽³⁾	45,926
	5,815 ⁽⁴⁾	5,815 ⁽⁴⁾	62.79	04/10/15	2,765 ⁽⁴⁾	94,204
	2,615 ⁽⁴⁾	7,845 ⁽⁴⁾	60.45	06/04/16	7,223 ⁽⁴⁾	246,088
					8,777 ⁽⁴⁾	299,032
					2,926 ⁽⁵⁾	99,689
Mr. McQuade	—	—	—	—	—	—
Mr. Smialowski	14,100 ⁽⁴⁾	—	62.69	03/31/08	—	—
	9,335 ⁽⁴⁾	—	60.45	03/31/08	—	—

- (1) Consistent with the terms of our 2004 Employee Plan, the option exercise price is set at a price equal to the fair market value of our common stock on the grant date.
- (2) Market value is calculated by multiplying the number of RSUs held by each named executive officer on December 31, 2007 by the closing price of our common stock on December 31, 2007 (\$34.07), the last day of trading for the year.
- (3) Stock options and RSUs granted on August 9, 2004 vest at a rate of 25% on August 9, 2005, April 1, 2006, April 1, 2007 and April 1, 2008.
- (4) Stock options and RSUs granted on August 2, 2004, May 6, 2005, April 11, 2005, June 5, 2006 and March 29, 2007 vest at a rate of 25% on each anniversary of the grant date. Mr. Smialowski's option awards are unexercised stock options that remained exercisable for 90 days following his departure on December 31, 2007. As of the date of this proxy statement all of Mr. Smialowski's stock options have expired.
- (5) On January 31, 2008, the CHRC determined that the performance vesting criteria for these RSUs granted on March 29, 2007 was met. These RSUs vest at a rate of 25% on each anniversary of the grant date.
- (6) RSUs granted on December 6, 2007 vest at a rate of 25% on each anniversary of the grant date.
- (7) Mr. Pizsel's sign-on award of RSUs vests at a rate of 25% on each anniversary of the December 7, 2006 grant date.
- (8) Mr. Perlman's sign-on award of RSUs vests at a rate of 33.33% on each anniversary of the September 6, 2007 grant date.
- (9) Stock options granted on November 26, 2003 vest at a rate of 25% on each of March 6, 2005, 2006, 2007 and 2008. RSUs granted on November 26, 2003 vest 100% on March 6, 2008.

Executive Compensation

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

Option Exercises and Stock Vested — 2007

The following table sets forth information concerning value realized upon the exercise of stock options and the vesting of RSUs during 2007 by each of the named executive officers.

Name	Option Awards		Stock Awards	
	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise (\$)	Number of Shares Acquired on Vesting (#) ⁽¹⁾	Value Realized on Vesting (\$) ⁽²⁾
Mr. Syron	0	\$0	68,512	\$4,433,106
Mr. Pizsel	0	0	19,735	701,382
Ms. Cook	0	0	21,663	1,363,152
Mr. Perlman	0	0	0	0
Mr. May	0	0	10,957	574,075
Mr. McQuade	0	0	64,696 ⁽³⁾	4,157,804
Mr. Smialowski	0	0	15,935 ⁽³⁾	925,201

- (1) Amounts reported reflect the number of RSUs that vested during 2007 prior to our withholding of shares to satisfy appropriate taxes.
- (2) Amounts reported are calculated by multiplying the number of pre-tax RSUs that vested during 2007 by the fair market value of our common stock on the day of vesting.
- (3) Messrs. McQuade and Smialowski resigned from the company effective September 1, 2007 and December 31, 2007, respectively. For more information, see “Potential Payments upon Termination or Change in Control — Eugene M. McQuade” or “— Joseph A. Smialowski” and “Employment and Separation Agreements — Eugene M. McQuade” or “— Joseph A. Smialowski.”

Pension Benefits — 2007

The following table shows the actuarial present value of the accumulated retirement benefits payable under the Pension Plan and the Pension SERP Benefit for each of the named executive officers, computed as of September 30, 2007 (the date used for pension calculations in our consolidated financial statements for the year ended December 31, 2007 included in the accompanying Annual Report). A summary of the material terms of each plan follows the table, including information on early retirement.

<u>Name</u>	<u>Plan Name</u>	<u>Number of Years Credited Service (#) ⁽¹⁾</u>	<u>Present Value of Accumulated Benefit (\$) ⁽²⁾</u>	<u>Payments During Last Fiscal Year (\$)</u>
Mr. Syron	Pension Plan	4.0	\$ 84,213	\$0
	Pension SERP Benefit	4.0	1,461,895	0
Mr. Pizsel	Pension Plan	1.0	0	0
	Pension SERP Benefit	1.0	0	0
Ms. Cook.....	Pension Plan	3.4	44,266	0
	Pension SERP Benefit	3.4	523,074	0
Mr. Perlman	Pension Plan	0	0	0
	Pension SERP Benefit	0	0	0
Mr. May	Pension Plan	24.8	281,019	0
	Pension SERP Benefit	24.8	874,497	0
Mr. McQuade	Pension Plan	—	—	0
	Pension SERP Benefit	—	—	0
Mr. Smialowski.....	Pension Plan	—	—	0
	Pension SERP Benefit	—	—	0

(1) Amounts reported represent the credited years of service for each named executive officer as of September 30, 2007, under the Pension Plan and the Pension SERP Benefit, respectively. Amounts reported do not reflect certain contractual retirement benefits Mr. Syron would receive pursuant to his employment agreement should his employment be terminated under certain conditions prior to vesting in the Pension SERP Benefit. For further information on these additional benefits for Mr. Syron, see “Potential Payments Upon Termination or Change in Control”.

(2) Amounts reported reflect the present value, expressed as a lump sum as of September 30, 2007, of each named executive officer’s benefits under the Pension Plan and the Pension SERP Benefit, respectively. Amounts reported are calculated using the assumptions applied in Note 14 to the consolidated financial statements included in the accompanying Annual Report, and the normal retirement age of 65 specified in the Pension Plan. Present values represent generational mortality tables developed by the Society of Actuaries’ Retirement Plans Experience Committee. For all of the named executive officers except Messrs. McQuade and Smialowski, the amounts shown may include amounts in which the named executive officers are not yet vested. Messrs. McQuade and Smialowski both terminated their employment before earning vested benefits, so the value of their accumulated benefits at December 31, 2007 was \$0. Pension Plan and Pension SERP benefits are subject to a five-year cliff vesting schedule. For additional information, see the descriptions of the employment agreements under “Employment and Separation Agreements” below. Mr. Pizsel joined us as Executive Vice President and Chief Financial Officer on November 13, 2006 and as of September 30, 2007 had not yet met the one year and 1000 hour eligibility requirements for the Pension Plan or Pension SERP Benefit; therefore, the benefit amounts as of September 30, 2007 for Mr. Pizsel are zero. Mr. Perlman joined us as Executive Vice President, Operations and Technology on August 1, 2007 and as of September 30, 2007 had not yet met the one year and 1000 hour eligibility requirements for the Pension Plan or Pension SERP Benefit; therefore, the benefit amounts as of September 30, 2007 for Mr. Perlman are zero.

Pension Plan

The Pension Plan is a tax-qualified, defined benefit pension plan we maintain that covers substantially all employees who have attained age 21 and completed one year of service with us. Pension Plan benefits are based on an employee’s years of service and highest average monthly compensation, up to limits imposed by law. Specifically, the normal retirement benefit under the Pension Plan for service after December 31, 1988 is a monthly payment calculated as follows:

- 1% of the participant’s highest average monthly compensation for the 36-consecutive month period during which the participant’s compensation was the highest,
- multiplied by the participant’s full and partial years of credited service under the Pension Plan.

Executive Compensation

A named executive officer who worked for the company prior to 1989 would have two additional components to his Pension Plan benefit. The first component would provide employees who were hired in 1985 or earlier with a benefit attributable to service through the end of 1988. The second component would provide employees who were hired before 1985 and remained with the company through 1990 with a supplemental benefit relating to that time period. A fixed dollar value for these components was established when we changed to the methodology for calculating pension benefits described above.

For purposes of the Pension Plan, compensation includes the non-deferred base salary paid to each employee, as well as overtime pay, shift differentials, non-deferred bonuses paid under our corporate-wide annual bonus program or pursuant to a functional incentive plan (excluding the value of any stock options or cash equivalents), commissions, and amounts deferred under the Thrift/401(k) Savings Plan, the Flexible Benefits Plan and qualified transportation under Code Section 132(c)(4). Compensation does not include supplemental compensation plans providing temporary pay, or any amounts paid after termination of employment.

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

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

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

Supplemental Executive Retirement Plan — Pension SERP Benefit

The "Pension SERP Benefit" component of the SERP is designed to provide participants with the full amount of benefits to which they would have been entitled under the Pension Plan if that plan (1) was not subject to certain limits on compensation that can be taken into account under the Code and (2) did not exclude from "compensation" amounts deferred under our Executive Deferred Compensation Plan. For example, the Pension Plan is only permitted under the Code to consider the first \$225,000 of an employee's compensation during 2007 for the purpose of determining the participant's compensation-based normal retirement benefit. We believe the Pension SERP Benefit is an appropriate benefit because offering such a benefit helps us remain competitive with companies in the Comparator Group.

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

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

Pension SERP Benefits that vest on or after January 1, 2005 are generally distributed in a lump sum after separation from service and are payable 90 days after the end of the calendar year in which separation occurs. Subject to plan limitations and restrictions under Code Section 409A, employees may elect that this portion of the Pension SERP be paid upon separation in the form of a single life annuity at age 65 or in equal annual installments over five, 10 or 15 years (including interest). Under IRS rules, distributions to so-called "key employees" (as defined by the IRS in regulations concerning Code Section 409A) may not commence earlier than six months from the key employee's separation from service. Payments under the SERP will be delayed if necessary to meet this requirement.

Pension SERP Benefits that vested prior to January 1, 2005 are generally distributed after separation from service (other than retirement) in the form of a single life annuity commencing at age 65. In the case of retirement, the vested pre-2005 Pension SERP Benefit is combined with the vested pre-2005 Thrift/401(k) SERP Benefit and is paid out in the form of a single life annuity payable at age 65 (or in a series of equal installments over 15 years commencing with retirement if actuarial estimates indicate that payment form would yield a longer period of payment).

Non-qualified Deferred Compensation

As noted above in "Compensation Discussion and Analysis — Other Executive Benefits, including Perquisites and Retirement Benefits — *Executive Deferred Compensation and Supplemental Executive Retirement Plans*", the Executive Deferred Compensation Plan allows the named executive officers to defer receipt of a portion of their annual salary and cash bonus (and to defer settlement of RSUs granted between 2002 and 2007). The Executive Deferred Compensation Plan is a non-qualified plan, and is unfunded (benefits are paid from the company's general assets). The plan was amended and restated effective January 1, 2008, and pursuant to the amended and restated plan, deferrals may be made for a period of whole years as elected by the employee, but in no event past termination of employment. Deferred amounts are credited with interest, which is currently the prime rate as reported by the *Wall Street Journal* as of the first business day of the applicable calendar year, plus 1%. When employees make deferral elections for a particular year, they also specify the form in which the deferral will be distributed after the expiration of the election. The available selections are lump sum or reasonably equal installments over five, ten or fifteen years. A six-month delay in commencement of distributions applies to key employees, in accordance with Code Section 409A. Hardship withdrawals are permitted in certain limited circumstances.

Supplemental Executive Retirement Plan — Thrift/401(k) SERP Benefit

The “Thrift/401(k) SERP Benefit” portion of the SERP is an unfunded, nonqualified defined contribution plan designed to provide participants with the full amount of benefits that they would have been entitled to under the Thrift/401(k) Savings Plan if that plan (1) was not subject to certain limits on compensation that can be taken into account under the Code and (2) did not exclude from compensation amounts deferred under our Executive Deferred Compensation Plan. For example, in 2007 under the Code, only the first \$225,000 of an employee’s compensation is considered when determining the company’s percentage-based matching contribution for any participant in the Thrift/401(k) Savings Plan. We believe the Thrift/401(k) SERP Benefit is an appropriate benefit because offering such a benefit helps us remain competitive with companies in the Comparator Group.

The Thrift/401(k) SERP Benefit equals the amount of the employer matching contributions and basic contribution for each named executive officer that would have been made to the Thrift/401(k) Savings Plan during the year, based upon the participant’s eligible compensation, without application of the above limits, less the amount of the matching contributions and basic contribution actually made to the Thrift/401(k) Savings Plan during the year. Participants are credited with earnings or losses in their Thrift/401(k) SERP Benefit accounts based upon each participant’s individual direction of the investment of such notional amounts among the virtual investment funds available under the SERP. Such investment options are based upon and mirror the performance of those investment options available under the Thrift/401(k) Savings Plan. As of December 31, 2007, there were 10 investment options in which participants’ notional amounts could be invested.

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

Thrift/401(k) SERP Benefits that vested prior to January 1, 2005 are generally distributed after separation from service (other than retirement) in the form of three reasonably equal annual installments, starting in the first quarter of the calendar year following the year in which the termination occurs. In the case of retirement, the vested pre-2005 Thrift/401(k) SERP Benefit is combined with the vested pre-2005 Pension SERP Benefit and is paid out in the form of a single life annuity payable at age 65 (or in a series of equal installments over 15 years commencing with retirement if actuarial estimates indicate that payment form would yield a longer period of payment).

The following table shows the contributions, earnings, withdrawals and distributions, and accumulated balances under the Thrift/401(k) SERP Benefit for each named executive officer and the Executive Deferred Compensation Plan (Mr. May only) as of December 31, 2007. For more

Executive Compensation

information, see “Compensation Discussion and Analysis — Other Executive Benefits, including Perquisites and Retirement Benefits — *Executive Deferred Compensation and Supplemental Executive Retirement Plan*” above.

<u>Name</u>	<u>Executive Contributions in Last FY(\$)⁽¹⁾</u>	<u>Freddie Mac Contributions in Last FY(\$)⁽²⁾</u>	<u>Aggregate Earnings in Last FY(\$)⁽³⁾</u>	<u>Aggregate Withdrawals / Distributions(\$)⁽⁴⁾</u>	<u>Aggregate Balance at Last FYE(\$)⁽⁵⁾</u>
Mr. Syron.....	\$0	\$435,575	\$ 32,802	\$ 0	\$ 814,315
Mr. Pizsel.....	0	2,438	5	0	2,442
Ms. Cook.....	0	275,200	15,900	0	397,100
Mr. Perlman.....	0	0	0	0	0
Mr. May.....	0	94,225	242,402	63,241	3,033,888
Mr. McQuade.....	0	187,325	14,154	0	282,992
Mr. Smialowski.....	0	130,492	8,474	0	190,731

- (1) The SERP does not allow for employee contributions.
- (2) Amounts reported reflect company accruals under the Thrift/401(k) SERP Benefit during 2007. These amounts are also reported in the “All Other Compensation” column of the Summary Compensation Table.
- (3) Amounts reported represent the total interest and other earnings credited to each named executive officer under the Thrift/401(k) SERP Benefit and the Executive Deferred Compensation Plan during 2007. Above-market earnings of \$87,624 for Mr. May are reflected in the column “Change in Pension Value and Nonqualified Deferred Compensation Earnings” in the Summary Compensation Table for 2007 because Mr. May was a participant in the Executive Deferred Compensation Plan. The credited interest rate for deferrals under the Executive Deferred Compensation Plan for 2007 was 9.25%.
- (4) Mr. May received a distribution under the Executive Deferred Compensation Plan during 2007 because the deferral period for a prior deferral election expired.
- (5) Amounts reported reflect the accumulated balances under the Thrift/401(k) SERP Benefit for each named executive officer, including non-vested accruals and, for Mr. May, accumulated balances under the Executive Deferred Compensation Plan. Matching contribution accruals vest immediately, whereas the basic contribution accruals as of December 31, 2007 are subject to a five-year cliff-vesting schedule. Because none of the named executive officers, other than Mr. May, has met the five-year vesting requirement for the basic contribution, the difference in the aggregate balance above and the vested balance is equal to the non-vested basic contributions plus earnings. The vested and non-vested components for each named executive officer are as follows: Mr. Syron: vested balance: \$537,968; non-vested balance: \$276,347; Mr. Pizsel: vested balance: \$2,442; non-vested balance: \$0; Ms. Cook: vested balance: \$265,176; non-vested balance: \$131,924; Mr. McQuade: vested balance: \$189,037; non-vested balance: \$93,955; and Mr. Smialowski: vested balance: \$122,076; non-vested balance: \$68,654. Mr. May is fully vested. For a more detailed discussion of the matching contribution accruals and basic contribution accruals, see “Supplemental Executive Retirement Plan — Thrift/401(k) SERP Benefit” below.

Potential Payments Upon Termination or Change in Control

We have entered into certain employment agreements or offer letters and maintain certain plans that will require us to provide compensation to our named executive officers in the event of a termination of employment or a change in control of Freddie Mac. The compensation and benefits payable to each named executive officer as of December 31, 2007 are shown in the tables below. For more information, see “Employment and Separation Agreements” below. OFHEO has reviewed the terms of the employment and separation agreements for Ms. Cook and Messrs. Syron, Pizsel, Perlman, McQuade and Smialowski and has approved the termination benefits set forth therein.

Each of our named executive officers is subject to a restrictive covenant and confidentiality agreement with us. The standard agreement provides that the executive officer will not seek employment with one of our competitors in the 12 months immediately following termination of his or her employment with us, regardless of whether the executive's employment is terminated by the executive, by us, or by a joint decision. During that same 12-month period, each executive also agrees not to solicit or recruit any of our managerial employees. The agreement provides for continued confidentiality of information about us that constitutes trade secrets or proprietary or confidential information. In the case of Mr. Syron, the terms of his employment agreement provide for a non-competition period of two years following the termination of his employment with us, rather than the standard 12 months.

As of December 31, 2007, other than Mr. May, none of the named executive officers were eligible for benefits under the Pension Plan and the Pension SERP benefit. The amounts presented in the tables below do not include vested RSU or stock option awards or vested balances in the Thrift/401(k) SERP Benefit or the Executive Deferred Compensation Plan as of December 31, 2007 because such vesting was not in connection with a termination or change in control. Amounts shown in the tables also do not include certain items available to all employees generally upon a termination event.

For RSUs, the value shown in the tables is calculated on a grant-by-grant basis by multiplying the number of unvested RSUs by the closing price of our common stock on December 31, 2007. For stock options, the value shown in the tables is calculated on a grant-by-grant basis by multiplying the number of unvested options granted by the difference between the exercise price for such option and the closing price of our common stock on December 31, 2007.

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

RSUs

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

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

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

Stock Options

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

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

Richard F. Syron

The following table describes the potential payments as of December 31, 2007 upon termination or a change in control of Freddie Mac for Richard F. Syron, our Chief Executive Officer.

Benefits and Payments Upon Termination	Voluntary Without Good Reason Resignation ⁽¹⁾	Involuntary For Cause Termination ⁽²⁾	Voluntary For Good Reason Resignation or Involuntary Without Cause Termination ⁽¹⁾⁽³⁾	Death or Disability ⁽⁴⁾	Change in Control (Without Termination) ⁽⁵⁾
Compensation:					
Base Salary	—	—	\$ 1,100,000	—	—
Annual Bonus	—	—	2,640,000	\$ 1,320,000	—
Equity Awards	—	—	13,852,956	10,685,749	\$13,852,956
Special Performance Award ⁽⁶⁾	—	—	—	—	—
Repayment to Freddie Mac⁽⁷⁾	\$(1,250,000)	\$(1,250,000)	—	—	—
Benefits:					
Non-qualified Pension	—	—	1,461,895	1,461,895	—
Deferred Compensation Payouts	—	—	—	276,347	—
Life Insurance Proceeds	—	—	—	9,591,360	—
Disability Benefits	—	—	—	505,392	—
Total	\$(1,250,000)	\$(1,250,000)	\$19,054,851	\$23,840,743 ⁽⁸⁾	\$13,842,956

- (1) “Good reason” includes: a reduction in Mr. Syron’s then current base salary, annual target bonus or maximum bonus opportunity; Mr. Syron’s removal from the position of Chief Executive Officer or Chairman of the board, unless such removal is for “cause;” a material diminution of Mr. Syron’s duties or responsibilities; a change in our reporting structure so that Mr. Syron reports to any person or entity other than the board; a request that Mr. Syron resign his employment, unless such resignation is requested for “cause;” Mr. Syron is not elected to the board, or, if Mr. Syron is elected, he is not appointed as Chairman or Executive Chairman of the board, unless such action is for “cause;” and Mr. Syron’s removal by the board as Executive Chairman of the board after the appointment of a successor Chief Executive Officer prior to December 31, 2009, unless such removal is for “cause.” The board’s appointment of a successor Chief Executive Officer and Mr. Syron ceasing to be our Chief Executive Officer and becoming Executive Chairman of our board would not constitute “good reason.”
- (2) Mr. Syron may be considered for a bonus attributable to 2007 under this termination event, at the discretion of the CHRC.
- (3) The amount reported under Base Salary reflects the November 9, 2007 amendment to Mr. Syron’s employment agreement. The amount reported under Annual Bonus reflects the sum of Mr. Syron’s target bonus attributable to each of 2007 and 2008 originally agreed to in his December 31, 2003 employment agreement. The amount reported under Equity Awards reflects \$8,800,000 in cash for the unvested long-term equity award granted in 2007; the value of all unvested RSUs granted prior to 2007, which vest immediately upon such termination; and the value of all unvested options granted prior to 2007, which become exercisable immediately upon such termination. The amount reported under Non-qualified Pension reflects the non-vested lump sum value of the Pension SERP Benefit as of September 30, 2007. Mr. Syron’s employment agreement provides for payment of the non-vested Pension SERP Benefit under this termination event. Mr. Syron and his spouse also are entitled, until each of them reaches age 65 (at their expense), to continue to participate in health and related welfare plans in which they participated prior to Mr. Syron’s termination.

- (4) The amount reported under Annual Bonus reflects a \$1,320,000 target bonus attributable to 2007. The amount reported under Equity Awards reflects the value of all outstanding RSUs, which vest immediately upon such termination, and the value of all unvested stock options, which become exercisable immediately upon such termination. The amount reported under Non-qualified Pension reflects the non-vested Pension SERP Benefit as of September 30, 2007, which is payable under a disability event. The amount reported under Deferred Compensation Payouts reflects the non-vested Thrift/401(k) SERP Benefit as of December 31, 2007, which is payable upon a disability event. Mr. Syron is not eligible for the non-vested Pension SERP Benefit or the non-vested Thrift/401(k) SERP Benefit in the event of death. The amount reported under Life Insurance Proceeds reflects the life insurance policies we provide Mr. Syron with benefits totaling \$10,000,000. As of December 31, 2007, the benefit to Mr. Syron's beneficiaries was \$9,591,360, \$6,000,000 of which is Term-Life and \$3,591,360 of which is Endorsement Split Dollar. We are the owner of the Endorsement Split Dollar Policy until the later of his attainment of age 65 or the scheduled termination date, which is December 31, 2008 (the "Scheduled Termination Date"). As of December 31, 2007, in the event of death prior to the Scheduled Termination Date, the remaining \$408,640 would be payable to us. The amount reported under Disability Benefit reflects the amount due to Mr. Syron in the event of disability from December 31, 2007 through the Scheduled Termination Date. An additional \$240,000 would be paid annually under the group long-term disability plan should Mr. Syron be approved for long-term disability.
- (5) This termination event represents a Change in Control in which Mr. Syron does not voluntarily terminate his employment for Good Reason and he is not involuntarily terminated without Cause. If Mr. Syron terminated his employment for Good Reason or he is involuntarily terminated without Cause in connection with the Change in Control, he would receive the amounts reported under the column "Voluntary For Good Reason Resignation or Involuntary Without Cause Termination" in lieu of this amount.
- The amount reported under Equity Awards reflects \$8,800,000 in cash for the unvested long-term equity awards granted in 2007; the value of all unvested RSUs granted prior to 2007, which vest immediately upon such termination; and the value of all unvested options granted prior to 2007, which become exercisable immediately upon such termination. For information on the calculation of the value of these RSUs and options, see Note (3) above.
- (6) The CHRC has the sole discretion to determine if Mr. Syron should be entitled to a payment under his Special Performance Award in the event Mr. Syron's employment terminates due to death, disability or involuntary termination by us without cause or by Mr. Syron for good reason. In the event that Mr. Syron's employment had terminated on December 31, 2007, we do not believe Mr. Syron would have received a payment under the Special Performance Award.
- (7) If Mr. Syron terminates his employment with us other than for good reason or for death or disability before December 31, 2009, he is required to repay his special extension bonus, which is reflected under Repayment to Freddie Mac.
- (8) The amount reflected under Death or Disability includes both Life Insurance Proceeds and Disability Benefits. The Total amount will change based on the actual event. For a death event, the Total amount will exclude the amount reflected under Disability Benefits. For a disability event, the Total amount will exclude the amount reflected under Life Insurance Proceeds.

The following summaries of certain termination scenarios reflect the terms of the November 9, 2007 amendment to Mr. Syron's employment agreement.

Change in Control

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

Termination Due to Death or Disability

In the event of a termination of his employment prior to December 31, 2009 due to disability or death, we will pay Mr. Syron or his beneficiaries his base salary through the end of the month in

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which termination of employment occurs. We will pay any earned but unpaid bonus amounts from the most recently completed calendar year, plus a prorated percentage of Mr. Syron's target bonus for the calendar year in which employment termination occurs. Also, all RSUs awarded to Mr. Syron will immediately vest and be paid out and all stock options granted will become immediately exercisable. The stock options will remain exercisable: (i) in the event termination occurs as a result of death, until the earlier to occur of (a) the third anniversary of the employment termination or (b) the expiration date of the options; and (ii) in the event termination occurs as a result of disability, until the scheduled expiration date applicable to the options.

Termination for Good Reason or Without Cause

Subject to Mr. Syron's execution of a general release and waiver, in the event that Mr. Syron terminates his employment prior to December 31, 2009 for good reason or is terminated by us without cause, we will pay Mr. Syron a lump sum cash payment equal to the base salary that would have been paid to him for the period beginning on the termination date and ending on December 31, 2008. In the event of a termination at any time in 2009, Mr. Syron would only receive his base salary up to the date of termination. We will pay any earned but unpaid bonus amounts from the most recently completed fiscal year. Also, we will pay Mr. Syron a lump sum cash payment equal to the sum of the target annual bonuses that would have been paid to him in respect of each calendar year that ends during the period beginning on the termination date and ending on December 31, 2008.

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

In addition, if he is not entitled to the Pension SERP Benefit solely because he is not yet vested under our tax-qualified pension plan, then we will pay Mr. Syron the benefit that would have been payable to him under the SERP as of the date of the termination without regard to the vesting requirement, and he will be entitled to the Thrift/401(k) SERP Benefit in accordance with the terms of the SERP. We will make available to Mr. Syron and his spouse (at their expense) continued health and other similar welfare benefits coverage until the date each reaches age 65.

Termination for Cause

In the event that Mr. Syron's employment is terminated by us for cause prior to December 31, 2009, we will pay Mr. Syron any earned but unpaid base salary through the date of termination and any earned but unpaid bonus amounts from the most recently completed calendar year. All unvested equity awards will be immediately cancelled.

Termination Following the Scheduled Termination Date

In the event that Mr. Syron terminates his employment following December 31, 2009 due to retirement (and at the time of such termination of Mr. Syron's employment we could not have terminated him for cause), all RSUs awarded to Mr. Syron will immediately vest, but will settle

pursuant to the vesting schedule set forth in the grant agreements. All stock options granted to Mr. Syron will become immediately exercisable and will remain outstanding until the expiration date of the options.

Anthony S. Pizsel

The following table describes the potential payments as of December 31, 2007 upon termination for Anthony S. Pizsel, our Executive Vice President and Chief Financial Officer.

<u>Benefits and Payments Upon Termination</u>	<u>Voluntary Resignation⁽¹⁾</u>	<u>Involuntary For Cause Termination⁽¹⁾</u>	<u>Involuntary Termination Other Than For Cause⁽²⁾</u>	<u>Death or Disability⁽³⁾</u>	<u>Special Circumstances Termination⁽⁴⁾</u>
Compensation:					
Base Salary	—	—	\$1,300,000	—	\$1,300,000
Annual Bonus	\$ 1,007,500	\$ 1,007,500	1,007,500	\$1,007,500	1,007,500
Equity Awards	—	—	2,017,114	3,725,759	3,298,589
Repayment to Freddie Mac	(2,500,000)	(2,500,000)	—	—	—
Benefits:					
Non-qualified Pension	—	—	—	71,575	—
Total	\$(1,492,500)	\$(1,492,500)	\$4,324,614	\$4,804,834	\$5,606,089

- (1) The amount reported under Annual Bonus reflects a guaranteed bonus of \$1,007,500 attributable to performance in 2007. If Mr. Pizsel terminates his employment with us for any reason or is terminated for cause before the second anniversary of his employment date, he is required to repay the full \$2,500,000 of his sign-on cash bonus which is reflected under Repayment to Freddie Mac.
- (2) The amount reported under Base Salary reflects two times annualized base salary of \$650,000; under Annual Bonus, reflects a guaranteed bonus of \$1,007,500 attributable to 2007; and under Equity Awards, reflects the continued vesting of Mr. Pizsel's one time sign-on grant in accordance with the vesting schedule outlined in the award agreement as if termination had not occurred.
- (3) The amount reported under Annual Bonus reflects a guaranteed bonus of \$1,007,500 attributable to 2007; and under Equity Awards reflects the value of all unvested RSUs, which will vest and will be settled immediately upon such termination. The amount reported under Non-qualified Pension reflects the non-vested Pension SERP Benefit as of September 30, 2007, which is payable under a disability event. Mr. Pizsel is not eligible for the non-vested Pension SERP Benefit or the non-vested Thrift/401(k) SERP Benefit in the event of death.
- (4) The amount reported under Base Salary reflects two times annualized base salary of \$650,000; and under Annual Bonus, reflects a guaranteed bonus of \$1,007,500 attributable to 2007. Pursuant to the one time sign-on grant award agreement and the long-term equity award agreement for RSUs granted in 2007, Mr. Pizsel's termination would be classified as a "Special Circumstance Termination" if (a) his job were eliminated due to a reorganization or job relocation or if his employment were terminated due to a restructuring or other no fault displacement, as determined by the Chief Executive Officer, and (b) he had executed a written agreement containing non-competition, non-solicitation, and other covenants. Under this provision, the one time sign-on award granted in 2006 and the RSUs granted in 2007 will vest immediately (other than the Performance RSUs, because at December 31, 2007 the CHRC had not determined that the performance criterion had been satisfied), and will be settled in accordance with the vesting schedule outlined in the award agreement as if termination had not occurred.

Mr. Pizsel's October 14, 2006 offer letter provides that if, prior to the fourth anniversary of his employment date, we terminate Mr. Pizsel's employment for any reason other than cause, he will receive a lump sum cash payment equal to two times his annualized base salary in effect at the time of termination. This payment will be made in lieu of any payments under our otherwise applicable severance plan, policy or practice. In the event that Mr. Pizsel's employment is terminated after the fourth anniversary of his employment date, he will be eligible to receive severance pay pursuant to the terms of our applicable severance plan or policy. If Mr. Pizsel terminates his employment with us for any reason or is terminated for cause before the second

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anniversary of his employment date, he is required to repay the full \$2,500,000 of his sign-on cash bonus. If we terminate Mr. Pizsel's employment for any reason other than cause between the first and fourth anniversaries of the date of grant, then the sign-on grant of 78,940 RSUs will vest and continue to settle pursuant to the vesting schedule set forth in the grant agreement. If Mr. Pizsel terminates his employment with us for any reason or is terminated for cause, then any unvested RSUs will be forfeited. Mr. Pizsel is subject to non-competition and non-solicitation of employees restrictions for a period of one year following any termination of his employment.

Patricia L. Cook

The following table describes the potential payments as of December 31, 2007 upon termination for Patricia L. Cook, our Executive Vice President and Chief Business Officer.

Benefits and Payments Upon Termination	Voluntary Resignation or Involuntary For Gross Misconduct Termination	Involuntary Other Than For Gross Misconduct ⁽¹⁾	Death or Disability ⁽²⁾	Special Circumstance Termination ⁽³⁾
Compensation:				
Base Salary	—	\$1,200,000	—	\$1,200,000
Equity Awards	—	—	\$2,950,292	2,110,364
Benefits:				
Non-qualified Pension	—	—	523,074	—
Deferred Compensation Payouts.....	—	—	131,925	—
Total	—	\$1,200,000	\$3,605,291	\$3,310,364

(1) The amount reported for Base Salary reflects the sum of Ms. Cook's annualized base salary of \$600,000 pursuant to her employment agreement plus severance pay equal to Ms. Cook's annualized base salary of \$600,000 pursuant to our officer severance plan. Ms. Cook may be eligible to participate in the 2007 bonus program at the discretion of the Chief Executive Officer, Chief Operating Officer or Executive Vice President, Human Resources and Corporate Services. Any bonus paid under this program will be subject to CHRC approval.

(2) The amount reported under Equity Awards reflects the value of all unvested RSUs, which will vest and will be settled immediately upon such termination, and the value of all unvested stock options, which become exercisable immediately upon such termination. The amount reported under Non-qualified Pension reflects the non-vested Pension SERP Benefit as of September 30, 2007, which is payable under a disability event. The amount reported under Deferred Compensation Payouts reflects the non-vested Thrift/401(k) SERP Benefit as of December 31, 2007, which is payable upon a disability event. Ms. Cook is not eligible for the non-vested Pension SERP Benefit or the non-vested Thrift/401(k) SERP Benefit in the event of death. Ms. Cook may be eligible to participate in the 2007 bonus program at the discretion of the Chief Executive Officer, Chief Operating Officer or Executive Vice President, Human Resources and Corporate Services. Any bonus paid under this program will be subject to CHRC approval.

(3) The amount reported under Base Salary reflects the sum of Ms. Cook's annualized base salary of \$600,000 pursuant to her offer letter plus severance pay equal to Ms. Cook's annualized base salary of \$600,000 pursuant to our officer severance plan. The amount reported under Equity Awards reflects the value of Ms. Cook's 2007 long-term equity awards as of December 31, 2007.

Pursuant to the long-term equity award agreement for awards made in 2006 and for RSUs granted in 2007, Ms. Cook's termination would be classified as a "Special Circumstance Termination" if (a) her job were eliminated due to a reorganization or job relocation or if her employment were terminated due to a restructuring or other no fault displacement, as determined by the Chief Executive Officer, and (b) she had executed a written agreement containing non-competition, non-solicitation, and other covenants. Under this provision, long-term equity awards granted in 2006 and RSUs granted in 2007 will vest immediately (other than the Performance RSUs, because at December 31, 2007 the CHRC had not determined that the performance criterion had been satisfied), and will be settled in accordance with the vesting schedule outlined in the award agreement as if termination had not occurred.

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Ms. Cook's July 8, 2004 offer letter, as amended by a letter agreement dated July 9, 2004 and action taken by the CHRC on May 6, 2005, provides that, if we terminate Ms. Cook on or after the second anniversary of her employment date but prior to her sixty-second birthday for any reason other than gross misconduct, as this term may be modified in our sole discretion from time to time, or any other willful or malicious misconduct on her part that is substantially injurious to us, she will receive a lump sum cash severance payment in the amount of \$600,000. If Ms. Cook's employment with Freddie Mac terminates for any reason (other than disability or death or a special circumstances termination) prior to the settlement of her RSU grants, she forfeits all of the unsettled grants.

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

Michael Perlman

The following table describes the potential payments as of December 31, 2007 upon termination for Michael Perlman, our Executive Vice President, Operations and Technology.

Benefits and Payments Upon Termination	Voluntary Resignation ⁽¹⁾	Involuntary Other Than For Gross Misconduct or Special Circumstances Termination ⁽²⁾	Death or Disability ⁽³⁾
Compensation:			
Base Salary	—	\$1,000,000	—
Annual Bonus	\$1,225,000	3,675,000	\$1,225,000
Equity Awards	—	688,418	688,418
Repayment to Freddie Mac	(550,000)	(550,000)	—
Total	\$ 675,000	\$4,813,418	\$1,913,418

- (1) If Mr. Perlman terminates his employment with us for any reason other than death or disability before the second anniversary of his employment date, he is required to repay the full \$550,000 of his sign-on cash bonus which is reflected under Repayment to Freddie Mac.
- (2) The amount reported under Base Salary reflects two times annualized base salary of \$500,000; under Annual Bonus, reflects a guaranteed bonus of \$1,225,000 plus two times Mr. Perlman's target bonus of \$1,225,000 attributable to 2007; and under Equity Awards, reflects the continued vesting of Mr. Perlman's one time sign-on grant. Pursuant to the long-term equity agreement for Mr. Perlman's sign-on grant, Mr. Perlman's termination would be classified as a "Special Circumstances Termination" if (a) his job were eliminated due to a reorganization or job relocation or if his employment were terminated due to a restructuring or other no fault displacement, as determined by the Chief Executive Officer, and (b) he had executed a written agreement containing non-competition, non-solicitation, and other covenants. Under this provision, the sign-on grant will vest immediately and will be settled in accordance with the vesting schedule outlined in the award agreement as if termination had not occurred.
- (3) The amount reported under Annual Bonus reflects a guaranteed bonus of \$1,225,000 attributable to 2007 and under Equity Awards reflects the value of all outstanding RSUs, which vest immediately upon such termination.

Mr. Perlman's July 24, 2007 offer letter provides certain benefits to Mr. Perlman in lieu of severance if we terminate his employment prior to the second anniversary of his employment. If we

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terminate Mr. Perlman’s employment on or before the second anniversary of his employment date for any reason other than gross misconduct or for violating any of our standards of conduct, attendance or behavior, we will make a lump-sum cash payment to him equal to two times the sum of his annualized base salary and target short-term incentive in effect at the time of termination. If we terminate Mr. Perlman’s employment between the second and third anniversaries of his employment date for any reason other than gross misconduct or for violating any of our standards of conduct, attendance or behavior, we will make a lump-sum cash payment to him equal to the sum of his annualized base salary and target short-term incentive in effect at the time of termination. In addition, if we terminate Mr. Perlman’s employment on or before the third anniversary of his employment date for any reason other than gross misconduct or for violating any of our standards of conduct, attendance or behavior, we will pay Mr. Perlman a prorated target bonus for the year in which he terminated employment, based on the number of months elapsed during such calendar year, and all outstanding RSUs and/or stock options will continue to vest according to the vesting schedule set forth in the grant agreements.

Michael C. May

The following table describes the potential payments as of December 31, 2007 upon termination for Michael C. May, our Senior Vice President, Multifamily Sourcing.

Benefits and Payments Upon Termination	Voluntary Resignation or Involuntary For Gross Misconduct Termination	Involuntary Other Than For Gross Misconduct ⁽¹⁾	Death or Disability ⁽²⁾	Special Circumstance Termination ⁽³⁾
Compensation:				
Base Salary	—	\$418,000	—	\$418,000
Bonus	—	—	—	—
Equity Awards	—	—	\$900,095	545,120
Total	—	\$418,000	\$900,095	\$963,120

- (1) The amount reported for Base Salary reflects Mr. May’s annualized base salary of \$418,000. Mr. May may be eligible to participate in the 2007 bonus program at the discretion of the Chief Executive Officer, Chief Operating Officer or Executive Vice President, Human Resources and Corporate Services. Any bonus paid under this program will be subject to CHRC approval.
- (2) The amount reported under Equity Awards reflects the value of all unvested RSUs, which will vest and will be settled immediately upon such termination, and the value of all unvested stock options, which become exercisable immediately upon such termination. Mr. May may be eligible to participate in the 2007 bonus program at the discretion of the Chief Executive Officer, Chief Operating Officer or Executive Vice President, Human Resources and Corporate Services. Any bonus paid under this program will be subject to CHRC approval.
- (3) The amount reported under Base Salary reflects Mr. May’s annualized base salary of \$418,000 pursuant to our officer severance plan. The amount reported under Equity Awards reflects the value of Mr. May’s 2007 long-term equity awards as of December 31, 2007.

Pursuant to the long-term equity award agreement for awards made in 2006 and for RSUs granted in 2007, Mr. May’s termination would be classified as a “Special Circumstance Termination” if (a) his job were eliminated due to a reorganization or job relocation or if his employment were terminated due to a restructuring or other no fault displacement, as determined by the Chief Executive Officer, and (b) he had executed a written agreement containing non-competition, non-solicitation, and other covenants. Under this provision, long-term equity awards granted in 2006 and RSUs granted in 2007 will vest immediately (other than the Performance RSUs, because at December 31, 2007 the CHRC had not determined that the performance criterion had been satisfied), and will be settled in accordance with the vesting schedule outlined in the award agreement as if termination had not occurred.

Eugene M. McQuade

We entered into an August 3, 2004 employment agreement with Mr. McQuade which provided for his employment as President and Chief Operating Officer, effective September 1, 2004. The agreement had an initial term of three years and on May 1, 2007, Mr. McQuade informed us that he would leave the company at the conclusion of that employment agreement, September 1, 2007. We did not enter into any separation agreements with Mr. McQuade and the CHRC did not accelerate the vesting of Mr. McQuade's unvested RSUs and stock options. Under the terms of his employment agreement, Mr. McQuade remains subject to non-competition and non-solicitation restrictions for periods of two years and one year, respectively, following his termination of employment with us. Under our stock compensation plans, all outstanding and unvested stock options and RSUs as of September 1, 2007 were forfeited, and all vested and unexercised stock options remained exercisable for 90 days following his departure.

Joseph A. Smialowski

Mr. Smialowski joined us as our Executive Vice President, Operations and Technology on December 1, 2004. Mr. Smialowski resigned from this position effective June 30, 2007 and served as a special advisor to our Chairman and Chief Executive Officer until December 31, 2007. We entered into a Transition Period Agreement with Mr. Smialowski effective June 29, 2007, which provided for the following:

- Mr. Smialowski's continued service to Freddie Mac through December 31, 2007 at his then-current base salary of \$550,000, together with a cash bonus of \$1,150,000 payable on January 31, 2008, which is equal to his target bonus for the 2007 performance year, and a supplemental cash payment of \$200,000, also payable on January 31, 2008.
- Mr. Smialowski's assistance with the transition of his responsibilities to a successor Executive Vice President, Operations and Technology.
- Mr. Smialowski's agreement to serve in an on-call consulting role once his successor has been named and a transition of his responsibilities has been completed.
- All outstanding and unvested stock options and RSUs as of December 31, 2007 will be forfeited, and all vested and unexercised stock options will remain exercisable for 90 days following his departure.

Employment and Separation Agreements

The employment agreements or offer letters described below for Mr. Syron, Mr. Pizel, Ms. Cook and Mr. Perlman are available on Freddie Mac's website at www.freddiemac.com/governance. For information on the termination provisions in Mr. Syron's, Mr. Pizel's, Ms. Cook's and Mr. Perlman's employment agreements or offer letters, as well as certain compensation agreements we entered into with Messrs. McQuade and Smialowski, see "Potential Payments Upon Termination or Change in Control" above.

We entered into employment agreements or offer letters with each of the named executive officers, with the exception of Mr. May, when they first joined us. All of our named executive officers, with the exception of Mr. May, are parties to currently effective agreements. Some agreements contain minimum guarantees with respect to base pay, bonus, and long-term equity

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awards, as well as special provisions applicable upon termination. The CHRC and management considered the executive protections (such as guaranteed bonuses and special termination benefits) provided by each of these agreements necessary in order to achieve our goal of recruiting and retaining exceptional leaders and executive officers during a time of transition.

The employment agreement or offer letter for Messrs. Syron and Perlman set their respective base salaries, minimum bonus opportunities, and long-term equity award opportunities.

Richard F. Syron

Mr. Syron was appointed Chairman of the Board and Chief Executive Officer, effective December 31, 2003. The terms of his employment with us are governed by (a) a December 6, 2003 employment agreement, as supplemented by a December 12, 2003 agreement and as amended by a November 9, 2007 amendment, (b) a June 1, 2006 compensation agreement and (c) a March 3, 2007 compensation agreement. The June 1, 2006 agreement superseded the provisions of Mr. Syron's employment agreement that pertain to his cash bonus target for performance during 2006. The March 3, 2007 agreement superseded the provisions of Mr. Syron's employment agreement that pertain to his cash bonus target for performance during 2007 and to his 2007 annual equity award.

The November 9, 2007 amendment extends the terms of Mr. Syron's original employment agreement from December 31, 2008 to December 31, 2009. Mr. Syron will continue to serve as Chairman of the Board and Chief Executive Officer until his successor as Chief Executive Officer is appointed, at which time Mr. Syron will become Executive Chairman of the Board for the balance of his extended term. Mr. Syron will actively assist us in recruiting and retaining his successor as Chief Executive Officer.

The amended agreement increased Mr. Syron's base salary to \$1,300,000, effective as of July 1, 2007. The amended agreement also provides for a special extension bonus of \$3,500,000, payable in installments of \$1,250,000 after its effective date, \$1,500,000 after July 1, 2008 and \$750,000 after July 1, 2009. This special bonus is payable only if Mr. Syron remains employed with us as of each of these dates and is subject to repayment by Mr. Syron if he terminates his employment with us before December 31, 2009 other than for good reason, as defined in the amended agreement.

The amended agreement also provides that Mr. Syron will have the opportunity to earn an annual cash bonus, based on performance criteria determined by the CHRC, for 2007 in a target amount of 278% of his bonus-eligible earnings, for 2008 in a target amount of 302% of his bonus-eligible earnings and for 2009 in a target amount of 322% of his bonus-eligible earnings, provided that Mr. Syron remains employed by us through the end of the applicable calendar year. For any of these years, the annual bonus actually awarded may range from 0% to 200% of the actual target, depending on Mr. Syron's performance during the year.

Mr. Syron received an additional equity grant in December 2007 of RSUs in the amount of \$800,000 pursuant to the amended agreement. In 2008, Mr. Syron will be entitled to an equity grant valued at \$9,400,000, of which \$8,800,000, the amount provided for in his original employment agreement, will be guaranteed. In 2009 he will be entitled to an equity grant valued at \$10,000,000, none of which will be guaranteed. The size of the actual grants, to the extent not guaranteed, will be determined based on an assessment of performance criteria established by the CHRC.

In addition to the provisions of the amended agreement, the CHRC has established a special cash performance award opportunity for Mr. Syron. This opportunity is described in more detail in “Compensation Discussion and Analysis — Compensation Structure — Chief Executive Officer Special Performance Award Opportunity.”

During the term of the employment agreement, we will maintain, at our cost, insurance on the life of Mr. Syron for the benefit of his beneficiaries, with a benefit equal to \$10,000,000. If Mr. Syron remains employed by us through December 31, 2008, upon the later to occur of December 31, 2008 and his turning 65, we will deliver to Mr. Syron a fully paid-up permanent life insurance policy with a face amount equal to \$4,000,000 and will maintain \$6 million in term life insurance during his employment in 2009.

Pursuant to his employment agreement, Mr. Syron is entitled to participate in all other compensation and employee benefit or perquisite programs generally available from time to time to our senior executives, on the terms and conditions then prevailing under each such program, except that Mr. Syron is not eligible to participate in our officer severance plan or policy.

Anthony S. Pizel

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

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

Patricia L. Cook

Ms. Cook joined us as our Executive Vice President, Investments on August 2, 2004 and became Executive Vice President, Investments and Capital Markets on February 1, 2005 and Executive Vice President and Chief Business Officer on June 5, 2007. Under the terms of an offer letter dated July 8, 2004, as amended by a letter agreement dated July 9, 2004 and action taken by the CHRC on May 6, 2005, Ms. Cook receives an annualized base salary of \$600,000 and an annual cash bonus targeted at 167% of her bonus eligible earnings (currently defined as base salary), subject to a maximum of 200% of this target, absent approval by the CHRC of a greater

Executive Compensation

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

Michael C. May

Mr. May joined us in 1983 and was appointed our Senior Vice President, Multifamily Sourcing in August 2005. We do not have any agreements with Mr. May regarding the terms of his employment.

Michael Perlman

Mr. Perlman joined us as our Executive Vice President, Operations and Technology on August 1, 2007. Under the terms of an offer letter dated July 24, 2007, Mr. Perlman receives an annualized base salary of \$500,000 and the opportunity to earn annual bonuses and long-term equity awards. The letter agreement provides Mr. Perlman with an opportunity to earn an annual cash bonus targeted at 245% of his bonus eligible earnings, with a guaranteed minimum bonus attributable to performance during calendar year 2007 of \$1,225,000. Mr. Perlman also will be eligible for an annual long-term equity award with a targeted aggregate value of \$1,525,000, with a guaranteed minimum award attributable to performance during calendar year 2007 of \$1,525,000.

Under the terms of a cash sign-on payment letter agreement, Mr. Perlman received a one-time cash payment of \$550,000, which must be repaid if, prior to the second anniversary of Mr. Perlman's start date, Mr. Perlman's employment is terminated. Mr. Perlman also received a one-time sign-on equity award in the form of RSUs with a total dollar value of \$1,200,000. Mr. Perlman's one-time sign-on equity award was designed to take into account the long-term incentive opportunity that Mr. Perlman forfeited at his prior employer in order to join Freddie Mac. The number of RSUs subject to the sign-on award is 20,206, which vest in three equal installments beginning on the first anniversary of the grant date.

PROPOSAL 2: RATIFICATION OF APPOINTMENT OF INDEPENDENT AUDITORS

As provided in its charter, the Audit Committee selects our independent auditors, reviews the scope of the annual audit and pre-approves all audit and non-audit services permitted under applicable law to be performed by the independent auditors. The Audit Committee has evaluated the performance of PricewaterhouseCoopers LLP and has selected them as our independent auditors for fiscal 2008. You are requested to ratify the Audit Committee's appointment of PricewaterhouseCoopers LLP. Representatives of PricewaterhouseCoopers LLP will be present at the annual meeting and will be given the opportunity to make a statement, if they desire to do so, and to respond to appropriate questions from stockholders present at the meeting. Unless stockholders specify otherwise in their proxy, proxies solicited by the Board will be voted by the proxy holders at the annual meeting to ratify the selection of PricewaterhouseCoopers LLP as our independent auditors for fiscal 2008. A majority of the votes cast at the annual meeting on this proposal is required for ratification.

Description of Fees⁽¹⁾

The following is a description of fees billed to us by PricewaterhouseCoopers LLP during 2006 and 2007. The increase in audit fees from 2006 to 2007 primarily reflects the fact that PricewaterhouseCoopers LLP began performing quarterly reviews pursuant to Statement on Auditing Standards No. 100 in 2007.

	<u>2007</u>	<u>2006</u>
Audit Fees ⁽²⁾	\$63,963,805	\$45,075,574
Audit-Related Fees ⁽³⁾	<u>9,419,297</u>	<u>8,898,000</u>
Total	\$73,383,102	\$53,973,574

(1) These fees represent amounts billed within the designated year and include reimbursable expenses of \$3,583,102 and \$3,442,574 for 2007 and 2006 respectively.

(2) Audit fees include fees billed by PricewaterhouseCoopers LLP in connection with the Statement on Auditing Standards No. 100 quarterly reviews of our interim financial information and the audit of our annual consolidated financial statements. The audit fees during 2007 include fees and expenses related to the 2006 (\$15,413,410) and 2007 (\$48,550,395) audits and preferred stock comfort letters. Fees related to preferred stock comfort letters were included in the 2007 annual audit engagement fees while, in prior years, these fees were billed as a separate engagement. In addition to the amounts shown above, approximately \$10.4 million of fees and reimbursable expenses will be billed in 2008 for the 2007 audit. The audit fees during 2006 include fees and expenses related to the 2005 (\$26,428,000) and 2006 (\$18,547,574) audits and preferred stock comfort letters (\$100,000). Audit fees of \$65,300 and \$37,400 in 2007 and 2006, respectively, related to the Freddie Mac Foundation are excluded because these fees are incurred and paid separately by the Freddie Mac Foundation.

(3) 2007 audit-related fees principally include fees and expenses related to internal control design reviews (\$7,419,297), agreed upon procedures associated with Freddie Mac-sponsored securitization transactions (\$1,982,000), and Comperio subscription services (\$18,000). 2006 audit-related fees principally include fees and expenses related to internal control design reviews (\$6,377,000), agreed upon procedures associated with Freddie Mac-sponsored securitization transactions (\$2,353,000) and agreed upon procedures with respect to Freddie Mac's option-adjusted spread fair value disclosure (\$150,000) and Comperio subscription services (\$18,000).

Approval of Independent Auditor Services and Fees

The Sarbanes-Oxley Act and related rules adopted by the SEC require that all services provided to companies subject to the reporting requirements of the Exchange Act by their independent auditors be pre-approved by their audit committee or by authorized members of the

Proposal 2: Ratification of Appointment of Independent Auditors

committee, with certain exceptions. The Audit Committee's charter requires that the Audit Committee pre-approve any audit services, and any non-audit services permitted under applicable law, to be performed by our independent auditors (or to designate one or more members of the Audit Committee to pre-approve such services and to report such pre-approval to the Audit Committee).

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

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

The pre-approval procedure is administered by our senior financial management, which reports throughout the year to the Audit Committee. The Audit Committee pre-approved all audit and audit-related services performed in 2007. At the direction of the Audit Committee, PricewaterhouseCoopers LLP did not provide any non-audit services to us in 2007.

We recommend that you vote *for* the ratification of the selection of PricewaterhouseCoopers LLP as our independent auditors for 2008.

**PROPOSAL 3: APPROVAL OF AMENDED AND RESTATED
2004 STOCK COMPENSATION PLAN**

General

You are being asked to approve the amended and restated Federal Home Loan Mortgage Corporation 2004 Stock Compensation Plan, or 2004 Employee Plan to increase the number of shares authorized for issuance under the 2004 Employee Plan by 15,000,000. Our Board approved the amended and restated 2004 Employee Plan on March 7, 2008, subject to stockholder approval. Stockholders initially approved the 2004 Employee Plan in 2004, and we have used the 2004 Employee Plan as our sole plan for grants of equity awards to employees since that time. The proposed amendment and restatement would also make a number of changes to the 2004 Employee Plan that are discussed below.

Currently, the shares remaining available for future awards under the 2004 Employee Plan are insufficient to meet our long-term incentive needs. The company estimates that the additional 15,000,000 shares will be sufficient to make awards under the 2004 Employee Plan for approximately the next four years.

The company believes that its future success depends heavily on its ability to attract, motivate and retain the highest caliber employees. Equity is a key component of Freddie Mac's total compensation package and closely aligns the interests of key employees with those of the company's stockholders. Given current compensation practice in the financial services industry, the company believes it would be unable to compete effectively for critical employees absent sufficient equity incentives without significantly increasing Freddie Mac's cash compensation costs.

Information on the total number of shares available under our existing equity compensation plans and subject to outstanding options, warrants and rights as of December 31, 2007 is presented below under the caption "Securities Authorized for Issuance under Equity Compensation Plans." Based on outstanding awards at March 31, 2008 under our current equity award plans for employees and non-employee directors currently in effect, but excluding our ESPP, if stockholders approve the amended and restated 2004 Employee Plan, the shares subject to outstanding awards (including restricted stock, which shares are treated as already outstanding) and shares available for future issuance under all continuing equity compensation plans, including the additional shares to be reserved under the amended and restated 2004 Employee Plan, would be as follows:

Shares subject to outstanding awards	11,989,097
Shares available for future equity awards	22,453,618
Total shares	34,442,715
Percentage of outstanding shares*	5.33%

* Shares outstanding includes all common stock issued and outstanding at March 31, 2008, without giving effect to issuance of unissued shares reserved under the equity award plans or deliverable in the future in connection with outstanding awards.

The Board and the CHRC believe that attracting and retaining executives and other key employees of high quality has been and will continue to be essential to our growth and success. As it has in the past four years, the 2004 Employee Plan should enable us to implement a compensation program with different types of incentives for motivating leaders and key employees and encouraging them to provide long-term service. In particular, we intend to continue using awards of stock-based compensation as an important element of compensation, because such awards enable

employees to acquire or increase their proprietary interest in Freddie Mac, thereby aligning interests between employees and our stockholders. In addition, the amended and restated 2004 Employee Plan will authorize stock-based and cash-based incentive awards by which we can tie employee compensation to measures of our performance so as to provide our employees with incentives to achieve excellent performance.

The amended and restated 2004 Employee Plan will authorize a broad range of awards, including:

- options;
- stock appreciation rights, or SARs;
- restricted stock, which is an award of actual shares subject to a risk of forfeiture and restrictions on transfer;
- deferred stock, including RSUs which are, in effect, forfeitable deferred stock;
- other awards based on our common stock;
- dividend equivalents;
- stock-based performance awards, which are, in effect, deferred stock awards that may be earned by achieving specific performance objectives; and
- cash-based performance awards which may be earned by achieving specific performance objectives.

Changes in the Amended and Restated 2004 Employee Plan

The amendment and restatement of the 2004 Employee Plan will make these significant changes to the current 2004 Employee Plan:

- Increase the shares reserved by 15 million shares (2.32% of the currently outstanding shares);
- Eliminate the current 50% cap on the number of shares that can be delivered under the 2004 Employee Plan in the form of restricted stock and other non-stock option/non-SAR awards;
- Authorize incentive awards in the form of cash rather than stock, subject to an annual per-person limit of \$8 million plus any unused portion of the participant's cash limit from prior years;
- Specify that the qualifications of the members of the CHRC or other committee administering the 2004 Employee Plan will be specified in the Committee's charter rather than in the 2004 Employee Plan;
- Require separate stockholder approval of:
 - Transfers of awards to third parties for value; and
 - A cash buyout of underwater options, which would be treated like other "repricing" events under the 2004 Employee Plan;
- Clarify that, because shares count against the number reserved under the 2004 Employee Plan when delivered to the participant and not if withheld for taxes or to pay an exercise

price, the CHRC can determine the number of shares expected to be delivered under outstanding awards in calculating the number of shares available for future awards;

- Increase the portion of deferred stock and other non-option/non-SAR awards that may be granted with a minimum vesting period of one year rather than three years from the current level of 5% to 15%;
- Add regulatory compliance provisions, including for purposes of:
 - Compliance with Code Section 409A, which potentially imposes early taxation, tax penalties and interest on participants if we grant an award providing for payment in a future year without meeting technical requirements of Section 409A. This includes deletion of a feature permitting participants to elect to defer receipt of shares acquired upon exercise of options, which is impractical under Section 409A; and
 - Compliance with requirements under accounting standard FAS 123R, to control the expense from stock-based awards in case of adjustments to awards resulting from equity restructuring transactions, and to permit cash settlements of share-based awards where the accounting consequences have been reviewed and considered; and
- Make explicit that an optionee's right to compensation for options cancelled in a merger is based on the intrinsic (*i.e.*, in-the-money) value of the award and not a greater fair value based on the remaining life of the option.

Reasons for Stockholder Approval

The Board seeks stockholder approval of the amended and restated 2004 Employee Plan in order to satisfy certain legal requirements, including requirements of the NYSE. In addition, we seek stockholder approval so that designated stock options can qualify as incentive stock options under the Code, which gives the holder of those options more favorable tax treatment. Finally, we regard stockholder approval of the amended and restated 2004 Employee Plan and its material terms, including the business criteria that may be used in setting performance goals for awards under the 2004 Employee Plan, as desirable and consistent with corporate governance best practices. We have not in the past granted equity awards except under plans approved by our stockholders.

Restriction on Repricing

Without stockholder approval, we will not amend or replace previously granted options in a transaction that constitutes a "repricing." For this purpose, "repricing" means:

- lowering the exercise price of an option or grant price of a SAR after it is granted;
- canceling an option or SAR at a time when its exercise price or grant price exceeds the fair market value of the underlying stock, in exchange for another option, SAR, award of restricted stock, other equity, or cash, unless the cancellation and exchange occurs in connection with a merger, acquisition, spin-off or other similar corporate transaction;
- any other action that is treated as a repricing under GAAP; or
- any other action that has the same effect.

An adjustment to an exercise price or other price specified in an award resulting from a stock split, equity restructuring or other extraordinary corporate transaction would not constitute a repricing.

Description of the Amended and Restated 2004 Employee Plan

The following is a brief description of the material terms and features of the 2004 Employee Plan, as proposed to be amended and restated. Many terms of the current 2004 Employee Plan will not be affected by the amendment and restatement, in which case the description below refers simply to the 2004 Employee Plan without the terms “amended and restated”. This description is qualified in its entirety by reference to the full text of the proposed amended and restated 2004 Employee Plan, a copy of which is attached to this Proxy Statement as Appendix A.

Shares Available. The number of shares of common stock reserved and available for awards under the amended and restated 2004 Employee Plan will be 20,988,391 million shares. This includes the 15 million shares to be added by the amendment, as well as shares that remained available under the 1995 Plan and 1995 Plan shares that have become available under the 2004 Employee Plan. Shares subject to outstanding awards under the 1995 Plan have become available under the 2004 Employee Plan in cases in which such shares are not delivered to the participant and vested, and such recaptures will continue in the future. Shares available under the amended and restated 2004 Employee Plan may be delivered in connection with any type of award; a 50% cap on the portion of plan shares that could be used for full-value awards (that is, non-option/non-SAR awards) will not be continued under the amended and restated 2004 Employee Plan.

Only the number of shares actually delivered to participants upon exercise of an option or SAR or upon settlement of other awards, or, in the case of restricted stock, the number of shares that have been delivered to the participant and which have become non-forfeitable, count against the number of shares reserved under the 2004 Employee Plan. Thus, shares become available again for new awards in the following cases:

- an award expires or is forfeited;
- an award is settled in cash or is otherwise terminated without issuance of shares to the participant, in whole or in part;
- shares are withheld from an award or separately surrendered to pay the exercise price of an option or to satisfy tax withholding obligations for an award;
- fewer shares are delivered upon exercise of an SAR than the number to which the SAR related; or
- shares issued as restricted stock are forfeited.

Shares subject to outstanding 1995 Plan awards will be counted and deemed available in accordance with the share counting rules of the 2004 Employee Plan.

Shares delivered under the 2004 Employee Plan may be either newly issued or treasury shares. On April 18, 2008, the closing sale price of our common stock in consolidated trading of NYSE-listed securities was \$27.06 per share.

Per-Person Award Limitations. The 2004 Employee Plan includes limitations on the amount of awards that may be granted to a participant in a given year. Under the annual per-person limitations, a participant may in any year be granted share-based awards under the 2004 Employee Plan relating to no more than his or her “Annual Limit.” This Annual Limit equals two million shares plus the amount of the participant’s unused Annual Limit relating to share-based awards as of the close of the previous year, subject to adjustment for splits and other extraordinary corporate events. The amendment and restatement of the 2004 Employee Plan will add an Annual Limit for each participant applicable to the amount that may be earned under cash-based incentive awards.

This Annual Limit will be \$8 million plus the amount of the Participant's unused cash Annual Limit as of the close of the previous year. A share-based award will count against only the share-based Annual Limit and a cash incentive award will count only against the cash-based Annual Limit.

Adjustments to Shares Reserved, Awards and Award Limits. Adjustments to the number and kind of shares subject to the share limitations and specified in the share-based Annual Limit are authorized under the 2004 Employee Plan if a large, special or non-recurring dividend or distribution, recapitalization, stock split, stock dividend, reorganization, merger, consolidation, spin-off, combination, repurchase or share exchange, rights offering, or other similar corporate transaction or event affects the common stock. Where such an event, including any "equity restructuring" as defined under FAS 123R, affects participants such that an adjustment is necessary to prevent dilution or enlargement of the rights of participants, the CHRC is obligated to equitably adjust outstanding awards, including adjustments to the number of shares subject to an award, any exercise price or grant price, and other terms of the award to preserve the value of the award without enhancing this value. The CHRC also is authorized to provide a cash payment relating to an outstanding award if that is deemed an appropriate means to effect an adjustment. The CHRC is also authorized to adjust performance conditions and other terms of awards in response to these kinds of events or to changes in applicable laws, regulations, or accounting principles.

Eligibility. All of our executive officers and other employees of Freddie Mac and our subsidiaries and affiliates, including directors who are also employees, or approximately 5,361 persons as of March 31, 2008, are eligible for awards under the 2004 Employee Plan. For this purpose, an affiliate is an organization where the employees are designated by the CHRC as eligible to participate in the 2004 Employee Plan.

Administration. The CHRC will continue to administer the amended and restated 2004 Employee Plan, except that the Board may appoint any other committee to administer the plan and may itself act to administer the plan. The composition and governance of the committee administering the amended and restated 2004 Employee Plan will be established in the committee's charter as approved from time to time by the Board, and other corporate governance documents of Freddie Mac. The CHRC's charter provides that it must consist of at least three directors, each of whom shall be independent under NYSE rules. You may obtain a copy of the CHRC's charter from our website, www.freddiemac.com. Subject to the terms and conditions of the amended and restated 2004 Employee Plan, the CHRC is authorized to select participants, determine the type and number of awards to be granted and the number of shares to which awards will relate or the amount of a share-based performance award or cash-based incentive award, specify times at which awards will be exercisable or settled, including performance conditions that may be required as a condition thereof, set other terms and conditions of such awards, prescribe forms of award agreements, interpret and specify rules and regulations relating to the 2004 Employee Plan, and make all other determinations which may be necessary or advisable for the administration of the 2004 Employee Plan. Nothing in the 2004 Employee Plan precludes the CHRC from authorizing payment of other compensation to executive officers and employees outside of the 2004 Employee Plan. The CHRC is permitted to delegate authority to our senior executives for the granting of awards to employees who are below the senior executive level. The 2004 Employee Plan provides that CHRC members and others acting on behalf of the CHRC shall not be personally liable, and shall be fully indemnified, in connection with any action, determination, or interpretation taken or made in good faith under the 2004 Employee Plan.

Proposal 3: 2004 Stock Compensation Plan

Minimum Vesting Requirements. The amended and restated 2004 Employee Plan will continue the minimum vesting rules under the 2004 Employee Plan with one modification, as follows:

- Options and SARs and the proceeds of exercise will be forfeitable for at least one year after the date of grant if the participant terminates employment for reasons other than death, disability or retirement.
- Restricted stock, RSUs and other non-option/non-SAR awards for which a participant does not pay substantial value (in addition to any service requirement) will vest (that is, become non-forfeitable) as follows:
 - if the grant or vesting of the award is not performance-based, over a minimum period of three years, except that:
 - vesting over a three-year period can include periodic vesting throughout the period; and
 - to preserve flexibility, up to 15% of the shares authorized under the amended and restated 2004 Employee Plan may be delivered with a one-year minimum vesting requirement, an increase from the 5% level currently permitted under the 2004 Employee Plan.
 - if the grant or vesting of the award is performance-based, over a minimum period of one year, which may include the performance period where the award is granted at the end of a pre-set performance period.
 - the award may vest earlier in the event of the participant's death, disability, or retirement, or in the event of a change in control of Freddie Mac (as defined by the CHRC) or other special circumstances.
 - Shares and share-based awards paid for by participants with substantial consideration other than continuing services may have different vesting terms.

Stock Options and SARs. The CHRC is authorized to grant stock options, including both incentive stock options, or ISOs, which can result in potentially favorable tax treatment to the participant, and non-qualified stock options. SARs may also be granted, entitling the participant to receive the excess of the fair market value of a share on the date of exercise over the SAR's designated "grant price." The exercise price of an option and the grant price of an SAR are determined by the CHRC, but generally may not be less than the fair market value of the shares on the date of grant (except as described below). The maximum term of each option or SAR will be ten years. Subject to this limit and to the minimum vesting terms described above, the times at which each option or SAR will be exercisable and provisions requiring forfeiture of unexercised options at or following termination of employment or upon the occurrence of other events generally are fixed by the CHRC. Options may be exercised by payment of the exercise price in cash, shares or other property (which may include through broker-assisted cashless exercise procedures), or by withholding of option shares or the surrender of other outstanding awards having a fair market value equal to the exercise price. Methods of exercise and settlement and other terms of SARs will be determined by the CHRC. SARs may be exercisable for shares or for cash, as determined by the CHRC.

Restricted Stock and Deferred Stock/Restricted Stock Units. The CHRC is authorized to grant restricted stock and deferred stock (which includes restricted stock units). Prior to the end of

the restricted period, shares granted as restricted stock may not be sold, and may be forfeited in the event of termination of employment. The minimum vesting periods described above apply to restricted stock granted for continuing services, and the CHRC can establish additional restricted periods for those awards or set restricted periods for other awards of restricted stock. Aside from the risk of forfeiture and non-transferability, an award of restricted stock entitles the participant to the rights of a stockholder of Freddie Mac, including the right to vote the shares and to receive dividends or equivalents, unless otherwise determined by the CHRC.

Deferred stock gives a participant the right to receive shares at the end of a specified deferral period. Deferred stock subject to forfeiture conditions constitutes an award of RSUs. The minimum vesting periods described above apply to deferred stock/RSUs granted for continuing services, and the CHRC can establish additional vesting periods for those awards or set vesting periods for other awards of RSUs. One advantage of RSUs, as compared to restricted stock, is that the period during which the award is forfeitable need not extend as long as the deferral period, so the CHRC can require or permit a participant to continue to hold an interest in our stock on a tax-deferred basis. Prior to settlement, deferred stock awards, including RSUs, carry no voting or dividend rights or other rights associated with stock ownership, but dividend equivalents generally will be paid.

Other Stock-Based Awards, Stock Bonus Awards, and Awards in Lieu of Other Obligations. The 2004 Employee Plan authorizes the CHRC to grant awards denominated or payable in, valued in whole or in part by reference to, or otherwise based on or related to shares of our common stock. The CHRC will determine the terms and conditions of such awards, including the consideration to be paid to exercise awards in the nature of purchase rights, the periods during which awards will be outstanding, and any forfeiture conditions and restrictions on awards. In addition, the CHRC is authorized to grant shares as a bonus free of restrictions, or to grant shares or other awards in lieu of our obligations under other plans or compensatory arrangements, subject to such terms as the CHRC may specify. Under the minimum vesting requirements described above, bonus shares generally can be granted without a minimum vesting period only if granted in substitution for other awards or rights to payment having substantial value.

Performance Awards. The CHRC may grant share-based and cash-based performance awards under the amended and restated 2004 Employee Plan (also referred to as incentive awards). Generally, performance awards require satisfaction of pre-established performance goals, consisting of one or more business criteria and a targeted performance level with respect to such criteria, as a condition of awards being granted or becoming exercisable or settleable, or as a condition to accelerating the timing of such events. Performance may be measured over a period specified by the CHRC. Cash-based performance awards could include annual incentive awards or long-term incentive awards.

The 2004 Employee Plan authorizes the CHRC to grant performance awards that have the performance terms specified in advance, and which limit our discretion to make payouts except based on the level of performance achieved. The business criteria to be used by the CHRC in establishing performance goals applicable to those performance awards will be selected from among the following:

- 1) Mission measures: affordable housing goals, low-cost financing initiatives, quality-of-business measures, customer initiatives and customer satisfaction;

- 2) Operational improvement measures: risk management, enhancing operational stability, improving or otherwise advancing disclosure controls, cost reductions, productivity, and legal and regulatory compliance;
- 3) Capital management measures; and
- 4) Financial measures: interest income, revenues, income before income taxes, extraordinary items and/or cumulative effect of changes in accounting principles, revenues, net income or net income per common share (basic or diluted), return on assets (gross or net), return on investment, return on capital, or return on equity, cash flow, free cash flow, cash flow return on investment (discounted or otherwise), net cash provided by operations, or cash flow in excess of cost of capital, interest expense or non-interest expense, non-GAAP metrics including economic value created or other measurement of maximizing long-term value, operating margin or profit margin, and stock price or total stockholder return.

The CHRC may set the levels of performance required in connection with performance awards as fixed amounts, goals relative to performance in prior periods, goals compared to the performance of one or more comparable companies or an index covering multiple companies, or in any other way the CHRC may determine.

Other Terms of Awards. Awards may be settled in cash, shares, other awards or other property, in the discretion of the CHRC. The CHRC may require or permit participants to defer the settlement of all or part of an award, including shares issued upon exercise of an option or SAR, in accordance with such terms and conditions as the CHRC may establish, including payment or crediting of interest or dividend equivalents on any deferred amounts. The CHRC may condition awards on the payment of taxes, which may include by withholding a portion of the shares or other property to be distributed in order to satisfy tax obligations. Awards granted under the 2004 Employee Plan generally may not be pledged or otherwise encumbered and are not transferable except by will or by the laws of descent and distribution, or to a designated beneficiary upon the participant's death, except that, under the amended and restated 2004 Employee Plan, the CHRC may permit transfers during the participant's lifetime other than transfers to third parties for value. The CHRC may impose forfeiture conditions on any award, including provisions that the award, or amounts of cash, common stock or other property realized by the participant as income or gain as a result of the award, shall be forfeited or repaid to us if the participant fails to comply with conditions relating to non-solicitation of employees, customers and suppliers, non-competition, preservation and appropriate use of proprietary and confidential information of Freddie Mac and our affiliates, return of property, non-disparagement of Freddie Mac and our affiliates, cooperation in litigation, and other restrictions protecting us and our affiliates. Such forfeiture conditions may apply to events occurring following termination.

Awards under the 2004 Employee Plan generally will be granted without a requirement that the participant pay consideration in the form of cash or property for the grant (as distinguished from the exercise). The CHRC could require payment of consideration, however, or grant awards in substitution for, exchange for or as a buyout of other awards under the 2004 Employee Plan, awards under our other plans, or other rights to payment from us, or may exchange or buy out outstanding awards for cash or other property. The CHRC also may grant awards in addition to and in tandem with other awards or rights. In granting a new award, the CHRC may determine that the in-the-money value of any surrendered award may be applied to reduce the exercise price of any option, grant price of any SAR, or purchase price of any other award, and the fair value of a surrendered

award may be applied to the purchase price based on fair value of any new award. Any of these transactions that would be a “repricing” would be subject to the stockholder approval requirement described under the caption “Restriction on Repricing” above.

Dividend Equivalents. The CHRC may grant dividend equivalents. These are rights to receive payments equal in value to the amount of dividends paid on a specified number of shares of common stock while an award is outstanding. These amounts may be in the form of cash or rights to receive additional awards or additional shares of common stock having a value equal to the cash amount. The awards may be granted on a stand-alone basis or in conjunction with another award. Typically, we have granted rights to dividend equivalents in connection with options and RSUs, so that the participant can earn amounts equal to dividends paid on the number of shares covered by the award while the award is outstanding. Under our current practice, dividend equivalents on stock options are accrued on options that vested on or prior to December 31, 2004 and are payable in cash upon exercise or expiration of the option, and dividend equivalents on RSUs and stock options unvested on December 31, 2004 and outstanding December 31, 2005 are paid in cash at the time dividends are paid on common stock. Stock options granted after December 31, 2005 are not entitled to receive dividend equivalents.

Amendment and Termination of the 2004 Employee Plan. The CHRC may amend, alter, suspend, discontinue, or terminate the 2004 Employee Plan without stockholder approval, except that an amendment would require stockholder approval if it is required to be approved by stockholders under NYSE rules, our bylaws or any applicable law or regulation. The CHRC may, in its discretion, submit other amendments to stockholders for approval. Board approval is required also for any amendment that requires stockholder approval or exceeds the authority of the CHRC under its charter and other corporate governance documents. Under these provisions, stockholder approval will not be required for all possible amendments that might increase the cost of the 2004 Employee Plan. Outstanding awards may be amended, but the CHRC cannot modify or waive award terms that would be mandatory if it were then granting a new award, and modifications remain subject to the provision governing repricing. In addition, for awards that are intended to be settled in common stock according to their written terms, cash settlements under the amended and restated 2004 Employee Plan must receive prior approval by our Chief Financial Officer. A restriction on such cash settlements, requiring that they be rare and in response to unique circumstances outside of the participant’s control and constituting a hardship to the participant, would be eliminated in the amended and restated 2004 Employee Plan, as not necessary in order to ensure share-based awards meet applicable accounting standards.

No new award may be granted under the 2004 Employee Plan after the tenth anniversary of the most recent approval of the 2004 Employee Plan, including an amendment and restatement of the 2004 Employee Plan, by stockholders. Unless earlier terminated by the Board, the 2004 Employee Plan will terminate thereafter at such time that we have no further rights or obligations with respect to any outstanding award.

Federal Income Tax Consequences

We believe that under current law the following federal income tax consequences generally would arise with respect to awards under the amended and restated 2004 Employee Plan. The grant of an option or an SAR will create no federal income tax consequences for the participant or for us. A participant will not have taxable income upon exercising an option that is an ISO, except that

the alternative minimum tax may apply. Upon exercising an option that is not an ISO, the participant generally must recognize ordinary income equal to the difference between the exercise price and the fair market value of the freely transferable or nonforfeitable shares acquired on the date of exercise. Upon exercising an SAR, the participant must generally recognize ordinary income equal to the cash or the fair market value of the shares received. This discussion assumes that the option or SAR would not be deemed to be a deferral arrangement subject to Section 409A.

Upon a disposition of shares acquired upon exercise of an ISO before the end of the applicable ISO holding periods, the participant must generally recognize ordinary income equal to the lesser of (i) the fair market value of the ISO shares at the date of exercise minus the exercise price or (ii) the amount realized upon the disposition of the ISO shares minus the exercise price. Otherwise, a participant's sale of shares acquired by exercise of an option generally will result in short-term or long-term capital gain or loss measured by the difference between the sale price and the participant's tax "basis" in such shares. The tax "basis" normally is the exercise price plus any amount the participant recognized as ordinary income in connection with the option's exercise. A participant's sale of shares acquired by exercise of an SAR generally will result in short-term or long-term capital gain or loss measured by the difference between the sale price and the tax "basis" in the shares, which normally is the amount that the participant recognized as ordinary income in connection with the SAR's exercise.

We normally can claim a tax deduction equal to the amount recognized as ordinary income by a participant in connection with an option or SAR, but no tax deduction relating to a participant's capital gains. Accordingly, we will not be entitled to any tax deduction with respect to an ISO if the participant holds the shares for the applicable ISO holding periods before selling the shares.

Awards other than options and SARs that result in a transfer to the participant of cash or shares or other property generally will be structured under the amended and restated 2004 Employee Plan to meet applicable requirements under Code Section 409A. If no restriction on transferability or substantial risk of forfeiture applies to amounts distributed to a participant, the participant generally must recognize ordinary income equal to the cash or the fair market value of shares actually received. Thus, for example, if we grant an award of deferred stock or RSUs, the participant should not become subject to income tax until the time at which shares or cash are actually distributed, and we will become entitled to claim a tax deduction at that time.

On the other hand, if a restriction on transferability and substantial risk of forfeiture applies to shares or other property actually distributed under an award (as in the case of restricted stock, for example), the participant generally must recognize ordinary income equal to the fair market value of the distributed amounts at the earliest time either the transferability restriction or risk of forfeiture lapses. In the usual case, we can claim a tax deduction in an amount equal to the ordinary income recognized by the participant. A participant may elect to be taxed at the time of grant of restricted stock or other property rather than upon lapse of restrictions on transferability or the risk of forfeiture, but if the participant subsequently forfeits such shares or property he or she would not be entitled to any tax deduction, including as a capital loss, for the value of the shares or property on which he or she previously paid tax.

Any award that is deemed to be a deferral arrangement (excluding certain exempted short-term deferrals) will be subject to Section 409A. Participant elections to defer compensation under such awards and the timing of distributions relating to such awards must meet requirements under

Section 409A in order for income taxation to be deferred upon vesting of the award and tax penalties to be avoided by the participant.

The foregoing provides only a general description of the application of federal income tax laws to certain types of awards under the amended and restated 2004 Employee Plan. This discussion is intended for the information of stockholders considering how to vote at the annual meeting and not as tax guidance to participants with respect to the 2004 Employee Plan, as the consequences may vary with the types of awards made, the tax status of the participant, variations on transactions as permitted under the amended and restated 2004 Employee Plan, and other circumstances. Different tax rules may apply, including in the case of variations in transactions that are permitted under the amended and restated 2004 Employee Plan (such as payment of the exercise price of an option by surrender of previously acquired shares). This summary does not address the effects of other federal taxes, including possible “golden parachute” excise taxes, FICA and taxes imposed under state, local, or foreign tax laws. Because of the complexities of the tax laws, a participant should consult a tax advisor as to his or her individual circumstances.

New Plan Benefits Under the Amended and Restated 2004 Employee Plan

Because future awards under the amended and restated 2004 Employee Plan will be granted at the discretion of the CHRC, the type, number, recipients, and other terms of such awards cannot be determined at this time. Information regarding our recent practices with respect to stock-based compensation under the current 2004 Employee Plan is presented elsewhere in this Proxy Statement and in our financial statements for the fiscal year ended December 31, 2007, included in our Annual Report. If stockholders decline to approve the amended and restated 2004 Employee Plan, the amendment and restatement will not become effective, but the current 2004 Employee Plan will remain in effect in accordance with its terms.

Currently, we grant equity awards to employees only under the 2004 Employee Plan, although some awards granted under the 1995 Plan before the 2004 Employee Plan became effective remain outstanding. The adoption of the amended and restated 2004 Employee Plan would not restrict us from adopting other plans providing for grants of equity-based compensation or cash-based incentive awards in the future.

Vote Required for Approval

Approval of the amended and restated 2004 Employee Plan will require the affirmative vote of a majority of the votes cast on the proposal at the annual meeting, provided that the total vote cast on the proposal (both for and against) represents over 50% in interest of all securities entitled to vote on the proposal.

The Board considers the amended and restated 2004 Employee Plan to be in the best interests of Freddie Mac and its stockholders and therefore recommends that the stockholders vote to approve the amended and restated 2004 Employee Plan at the annual meeting.

SECURITIES AUTHORIZED FOR ISSUANCE UNDER EQUITY COMPENSATION PLANS

The following table provides information about our common stock that may be issued upon the exercise of options, warrants and rights under our existing equity compensation plans at December 31, 2007. Our stockholders have approved the ESPP, the 2004 Employee Plan, the 1995 Stock Compensation Plan, or 1995 Plan, and the Directors' Plan.

<u>Plan Category</u>	<u>(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights</u>	<u>(b) Weighted average exercise price of outstanding options, warrants and rights</u>	<u>(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</u>
Equity compensation plans approved by stockholders . . .	8,075,314 ⁽¹⁾	\$37.62 ⁽²⁾	17,935,055 ⁽³⁾
Equity compensation plans not approved by stockholders . . .	None	N/A	None

(1) Includes 2,897,893 RSUs issued under the Directors' Plan, the 1995 Plan and the 2004 Employee Plan and options to purchase 82,566 shares under the ESPP.

(2) For the purpose of calculating this amount, the RSUs are assigned a value of zero.

(3) Includes 10,323,179 shares, 6,135,671 shares and 1,476,205 shares available for issuance under the 2004 Employee Plan, the ESPP and the Directors' Plan, respectively. No shares are available for issuance under the 1995 Plan.

OTHER PROPOSED ACTIONS

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

AVAILABILITY OF ANNUAL REPORT

Our Information Statement and Annual Report, which contains audited consolidated financial statements for 2007 and other information, accompanies this Proxy Statement. Additional copies of the Information Statement and Annual Report and any Information Statement Supplements may be obtained without charge by visiting our Internet website (www.freddiemac.com/investors) or by writing or calling us at:

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

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING

Section 16(a) of the Exchange Act requires directors and certain officers of reporting companies, and persons who own more than 10% of a registered class of such company's equity securities, to file reports of ownership and changes in ownership with the SEC and the exchange on which such company's securities trade, and to furnish the company with copies of the reports. Until we complete voluntary registration with the SEC, our directors and executive officers are not

Other Matters

subject to these requirements. However, our directors and executive officers provide the equivalent of Section 16(a) reports to us, and we make them available on our website at www.freddiemac.com within the same time frames required for Section 16(a) reports. Based solely on a review of such reports, we believe that during 2007, our directors and executive officers complied with such reporting obligations.

STOCKHOLDER PROPOSALS AND NOMINATIONS FOR NEXT ANNUAL MEETING OF STOCKHOLDERS

To be considered for inclusion in the next proxy statement, stockholder proposals must be submitted in writing to the Corporate Secretary, Freddie Mac, 8200 Jones Branch Drive, McLean, Virginia 22102 no later than December 30, 2008. The written notice must be accompanied by specific information regarding the proposal and the interest of the stockholder. If the stockholder does not comply with the requirements as set forth in applicable SEC rules and regulations, the chair of the next annual meeting may declare the proposal not properly brought before the meeting.

In order for business not included in the proxy statement for the 2009 annual meeting to be brought before the meeting by a stockholder, the stockholder must, pursuant to our bylaws, give timely written notice to the Corporate Secretary, Freddie Mac, 8200 Jones Branch Drive, McLean, Virginia 22102. To be timely, the Corporate Secretary must receive written notice of the proposal no fewer than 75 days prior to the 2009 annual meeting. If fewer than 90 days' notice or prior public disclosure of the 2009 annual meeting is given or made to the stockholders, to be timely, notice by the stockholder must be received no later than the close of business on the 15th day following the day on which such notice of the date of the annual meeting was mailed or such public disclosure was made, whichever first occurs. The written notice must include or be accompanied by a brief description of the proposal, the reasons for bringing the proposal before the annual meeting, the stockholder's name and address, any material interest of the stockholder in the proposal and documentation to verify the class and number of shares beneficially owned by the stockholder. If a stockholder does not comply with our bylaws, the chair of the annual meeting may declare the proposal defective and it will be disregarded.

Stockholder nominations of candidates for election as directors must be submitted in writing to the Corporate Secretary, Freddie Mac, 8200 Jones Branch Drive, McLean, Virginia 22102 by the same deadlines as for stockholder proposals to be introduced from the floor of the 2009 annual meeting. The written notice must include (i) the name, age, business address and residential address of the nominee, (ii) the principal occupation or employment of the nominee, (iii) a description of all arrangements or understandings between the stockholder and the nominee and any other person relating to the nomination, and (iv) all other information about the nominee that would be required to be included in a proxy statement soliciting proxies for the election of directors under the rules promulgated under the Exchange Act, including a written consent from the nominee to being named in the proxy statement and to serve if elected. The stockholder also must provide his, her or its name and record address, the number of shares beneficially owned and a representation that the stockholder intends to appear in person or by proxy at the meeting to make the nomination. If the stockholder does not comply with the requirements of our bylaws, the chair of the annual meeting may declare the nomination defective and it will be disregarded.

SOLICITATION BY BOARD; EXPENSES OF SOLICITATION

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

By Order of the Board of Directors,



Robert E. Bostrom

Executive Vice President, General Counsel and Corporate Secretary

April 29, 2008

Other Matters

**FEDERAL HOME LOAN MORTGAGE CORPORATION
2004 STOCK COMPENSATION PLAN**

As Amended and Restated as of June 6, 2008

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**FEDERAL HOME LOAN MORTGAGE CORPORATION
2004 STOCK COMPENSATION PLAN
As Amended and Restated as of June 6, 2008**

**ARTICLE I
Establishment of the Plan**

1.1 *Purposes.* The purposes of this 2004 Stock Compensation Plan, as amended and restated, of the Federal Home Loan Mortgage Corporation are to promote the success of the Corporation and its stockholders by providing an additional means to attract, retain, motivate, and reward officers and employees of the Corporation and its Affiliates, to link compensation of such persons to measures of the Corporation's performance in order to provide incentives for high levels of performance, to enable such persons to acquire or increase a proprietary interest in the Corporation in order to promote a closer identity of interests between such persons and the Corporation's stockholders.

1.2 *Effective Date.* This Plan became effective upon the approval of the Corporation's stockholders on November 4, 2004.

1.3 *Plan Name.* The name of the Plan is the Federal Home Loan Mortgage Corporation 2004 Stock Compensation Plan.

**ARTICLE II
Definitions**

2.1 *Affiliate.* An organization some or all of the employees of which are designated by the Committee as eligible to participate in this Plan.

2.2 *Annual Limit.* The number of shares used to determine a Participant's per-person Award limitation for share-denominated Awards and the cash amount used to determine a Participant's per-person Award limitation for other Awards under Section 5.2.

2.3 *Award.* Any Option, Stock Appreciation Right, Restricted Stock, Deferred Stock, Stock Bonus, Dividend Equivalent, Performance Award, Other Stock-Based Award or Incentive Award, or any combination thereof, granted under the Plan.

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

2.5 *Beneficiary.* The person(s) or trust(s) which have been designated by a Participant in his or her most recent written beneficiary designation filed with the Committee to receive the benefits in connection with an Award upon such Participant's death, or to whom or to which an Award or rights relating thereto are transferred if and to the extent permitted under Section 6.6. If, upon a Participant's death, there is no designated Beneficiary or surviving designated Beneficiary, then the term Beneficiary means the person(s) or trust(s) entitled by will or the laws of descent and distribution to receive such benefits.

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

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

2.8 *Committee.* The Compensation and Human Resources Committee of the Board, or such other Board committee as may be designated by the Board to administer the Plan. The composition and governance of the Committee shall be established in the Committee's Charter as approved from time to time by the Board, and other corporate governance documents of the company. The full Board may perform any function of the Committee hereunder in which case the term "Committee" shall refer to the Board.

2.9 *Common Stock.* The Common Stock, \$0.21 par value, of the Corporation and such other common stock as may be substituted or resubstituted for Common Stock pursuant to an adjustment under Section 4.4.

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

2.11 *Deferred Stock.* An Award under Section 7.4 representing a contractual right to receive delivery of a specified number of shares of Common Stock, or shares of Common Stock having a specified Fair Market Value at a specified date, at the expiration of a period or periods of deferral, and subject to terms and conditions as the Committee may specify. These terms and conditions can include a risk of forfeiture, which need not extend for the entire period of deferral; in such case, for purposes of the Plan the Award will be referred to as a "Restricted Stock Unit."

2.12 *Disability.* A condition resulting in a Participant's Termination and which is a disability under the terms of the Corporation's Long-Term Disability Plan as in effect at the time of the Participant's termination of employment; *provided, however,* that the Committee may specify a different definition of "Disability" in the Award Document.

2.13 *Dividend Equivalent.* An Award under Section 7.6 giving the Participant a right (which may be conditional) to receive cash, Common Stock, other Awards, or other property equal in value to dividends paid with respect to a specified number of shares of Common Stock, and subject to such other conditions as the Committee may specify.

2.14 *Employee.* Any officer or employee of the Corporation or an Affiliate who is not a Senior Executive.

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

2.16 *Incentive Award.* An Award under Section 7.8 denominated and/or payable in cash. An Incentive Award with a performance period of up to one year may be designated an "Annual Incentive Award," and an incentive award with a performance period longer than one year may be designated a "Long-Term Incentive Award."

2.17 *Incentive Stock Option or ISOs.* Any Option that is designated as an incentive stock option and qualifies as such within the meaning of Section 422 of the Code.

2.18 *1995 Plan.* The Corporation's 1995 Stock Compensation Plan that became effective May 2, 1995.

2.19 *Nonqualified Stock Option.* Any Option which is not an Incentive Stock Option.

2.20 *Option.* An Award under Section 7.1 representing a conditional right to purchase, upon the exercise of the right by the Participant or his or her Beneficiary, a specified number of shares of Common Stock at a fixed price during a specified period or periods, and subject to such other conditions as the Committee may specify.

2.21 *Other Stock-Based Award.* An Award under Section 7.7 denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, Common Stock or factors that may influence the value of Common Stock, as determined by the Committee, and subject to such other conditions as may be specified by the Committee.

2.22 *Participant.* A person who, as a Senior Executive or Employee of the Corporation or any Affiliate, has been granted an Award under the Plan.

2.23 *Performance Award.* An Award that is subject to any performance condition or conditions imposed by the Committee under Article VIII.

2.24 *Plan.* This 2004 Stock Compensation Plan.

2.25 *Restricted Stock.* An Award under Section 7.3 pursuant to which a specified number of shares of Common Stock are granted to the Participant, subject to a risk of forfeiture and restrictions on transferability until the expiration of a specified restricted period or periods, and subject to such other conditions as the Committee may specify.

2.26 *Restricted Stock Unit or RSU.* An Award of Deferred Stock that is subject to a risk of forfeiture until the expiration of a specified restricted period or periods, with settlement on the date the risk of forfeiture lapses or at a later specified date.

2.27 *Retirement.* A Termination that is a retirement in accordance with the eligibility provisions and retirement benefit provisions of Articles V and VI, respectively, of the Federal Home Loan Mortgage Corporation Employees' Pension Plan as in effect at the time of the Participant's termination of employment; *provided, however*, the Committee may specify a different definition of Retirement in the Award Document.

2.28 *Senior Executive.* An employee of the Corporation or an Affiliate who is a Senior Vice President or who is senior to such an officer.

2.29 *Stock Appreciation Right or SAR.* An Award under Section 7.2 representing a right to receive cash, Common Stock, other Awards, or other property equal in value to the excess of (a) the Fair Market Value of one share of Common Stock on the date of exercise, over (b) the grant price of the SAR as determined by the Committee as of the date of grant of the SAR. SARs shall be subject to such other conditions as the Committee may specify.

2.30 *Stock Bonus.* An Award of Common Stock granted as a bonus under Section 7.5, subject to such conditions as the Committee may specify.

2.31 *Termination.* A termination of employment of the Participant immediately after which the Participant is not an employee of either the Corporation or any Affiliate. Conversion from full-time to part-time employment shall not be deemed to be a Termination. The foregoing notwithstanding, the Committee may specify a different definition of "Termination" in the Award Document, including for purposes of compliance with Code Section 409A.

ARTICLE III Administration

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

- (a) to select Senior Executives and Employees to whom Awards may be granted;
- (b) to determine the type or types of Awards to be granted to each person selected to become a Participant, and the time or times at which Awards may be granted;
- (c) to determine the number of Awards to be granted, the number of shares of Common Stock subject to an Award, the terms and conditions of any Award granted under the Plan including, but not limited to, any exercise price, grant price, or purchase price, automatic exercise of Options, any restriction or condition, any schedule or performance conditions for the lapse of restrictions or conditions relating to transferability, forfeiture, exercisability, or settlement of an Award (subject to Section 6.2), and waivers, accelerations, or modifications of any such schedule or performance conditions (subject to Section 9.4(b)), based in each case on such considerations as the Committee shall determine, and all other matters to be determined in connection with an Award;
- (d) to determine whether, to what extent, and under what circumstances an Award may be settled or an Award may be canceled, forfeited, or surrendered, and the method of payment of the exercise price or purchase price of an Award, including but not limited to cash, Common Stock, other Awards, or other property;
- (e) to determine whether, to what extent, and under what circumstances cash, Common Stock, other Awards, or other property payable with respect to an Award will be deferred either automatically, at the election of the Committee, or at the election of the Participant;
- (f) to prescribe the form of each Award Document, which need not be identical for each Participant;
- (g) to adopt, amend, suspend, waive, and rescind such rules and regulations as the Committee may deem necessary or advisable to administer the Plan;
- (h) to correct any defect or supply any omission or reconcile any inconsistency in the Plan;
- (i) to construe and interpret the Plan and any Award, rules and regulations, Award Document, or other instrument hereunder, and to determine the rights and benefits pertaining to any Participant or Beneficiary;
- (j) to retain experts to advise and assist the Committee in performing its functions hereunder and otherwise in the administration of the Plan; and
- (k) to make all other decisions and determinations as may be required under the terms of the Plan or as the Committee may deem necessary or advisable for the administration of the Plan.

3.2 *Scope of Committee Authority.* Unless authority is specifically reserved to the Board under the terms of the Plan, the Corporation's Charter or Bylaws, or applicable law, the Committee may exercise its authority under the Plan in its sole discretion. Any action of the Committee with respect to the Plan shall be final, conclusive, and binding on all persons, including the Corporation,

Participants, any Beneficiary or other person claiming any rights under the Plan from or through any Participant, and stockholders. The express grant of any specific power to the Committee, and the taking of any action by the Committee, shall not be construed as limiting any power or authority of the Committee. The foregoing notwithstanding, a grant made by the Committee or other action taken by the Committee may be made contingent upon approval of the Board or a majority of the independent directors serving on the Board as a condition of the effectiveness of such grant or action.

3.3 *Delegation of Committee Authority.* The Committee may delegate any or all of its authority under this Article III relating to the selection of Employees for participation, the grant of Awards to Employees, and other actions under the Plan relating to Employees, to the extent permitted by applicable law. Such delegation shall be made only to the Chief Executive Officer, another Senior Executive or a committee of two or more Senior Executives (which may include the Chief Executive Officer). In the case of any such delegation, references in the Plan to the Committee shall be deemed to include the Chief Executive Officer, Senior Executive or committee to which authority has been delegated with respect to Employees; provided, however, that the Committee may impose any term or limitation upon the exercise of such delegated authority hereunder not inconsistent with the Plan. The Committee may not make such delegation with respect to any Senior Executive, except as to ministerial functions. In this regard, the Committee may delegate to officers or other employees of the Corporation, subject to such terms as the Committee shall determine, the duty to perform ministerial functions under the Plan.

3.4 *Limitation on Repricing.* Without the prior approval of the Corporation's stockholders, the Committee will not amend or replace previously granted Options or SARs in a transaction that constitutes a "repricing." "Repricing" means: (a) lowering the exercise price of an Option or grant price of a SAR after it is granted, (b) canceling an Option or SAR at a time when its exercise price or grant price exceeds the fair market value of the underlying stock, in exchange for another Option, SAR, Restricted Stock, other equity, or cash unless the cancellation and exchange occurs in connection with a merger, acquisition, spin-off or other similar corporate transaction, (c) any other action that is treated as a repricing under generally accepted accounting principles, or (d) any other action that has the same effect as those itemized in (a) — (c); provided, however, that any adjustment authorized by Section 4.4 shall under no circumstances be considered a "repricing."

3.5 *Good Faith Reliance.* Each member of the Committee shall be entitled to, in good faith, rely or act upon any report or other information furnished to him or her by any officer or other employee of the Corporation, the Corporation's independent public accountants, or any compensation consultant, legal counsel, or other professional retained by the Corporation to assist in the administration of the Plan.

3.6 *Indemnification.* In the event and to the extent the members of the Committee, and any Employee or Senior Executive acting on behalf of the Committee, are not insured by any insurance company pursuant to provisions of any applicable insurance policy, the Corporation shall indemnify and hold harmless each such person against all liability (including the obligation to pay a judgment, settlement, penalty or fine, including any excise tax assessed with respect to an employee benefit plan) and expense (including attorneys' fees) reasonably incurred by him, her or it in connection with any and all claims, demands, suits or proceedings in connection with the Plan that may be brought by the Corporation's Senior Executives, Employees, Participants or their Beneficiaries or legal representatives, or by any other person, corporation, entity, government or agency thereof, except such liabilities and expenses as are incurred because of the Committee member's, Senior Executive's or Employee's willful misconduct or knowing violation of the criminal law; provided, however, that the Corporation may not indemnify any person in connection with any proceeding

charging improper personal benefit to the person, whether or not involving action in his or her official capacity, to the extent that such person is adjudged liable on the basis that the personal benefit was improperly received by such person. This right of indemnification shall be in addition to any other rights to which any member of the Committee may be entitled to as a matter of law.

ARTICLE IV Common Stock Available Under the Plan; Adjustments

4.1 *Common Stock Available for Delivery.* Subject to adjustment as hereinafter provided, the number of shares of Common Stock authorized for delivery in connection with Awards under the Plan shall be (i) 25,000,000 plus (ii) that number of shares of Common Stock that, immediately prior to the effectiveness of this Plan, remain authorized and available for awards under the 1995 Plan (without regard to the termination of the 1995 Plan) or thereafter become available as provided in Section 4.2 below.

4.2 *Share Counting.*

(a) *Generally.* No Award may be granted if the number of shares the Committee determines to be deliverable under such Award, when added to the number of shares determined to be deliverable under then-outstanding Awards, exceeds the Committee's determination of the number of shares then remaining available for delivery or other applicable limitation under this Article IV. Thus, the Committee may determine that Awards may be outstanding that relate to more shares than the aggregate remaining available under the Plan so long as Awards will not in fact result in delivery and vesting of shares in excess of the number then available under the Plan. The Committee's determinations under this Section 4.2 may be based on its good faith estimates of the shares deliverable and remaining available for delivery under this Article IV.

(b) *Shares Available for Grants.* Only the number of shares actually delivered to the Participant upon exercise of an Option or SAR or upon settlement of other Awards, or, in the case of Restricted Stock, the number of shares that have been delivered to the Participant and which have become non-forfeitable, will be counted against the number of shares reserved under the Plan. Thus, for example, if an Award expires or is forfeited, an Award is settled in cash, shares are withheld from an Award or separately surrendered to pay the exercise price of an Option or to satisfy tax withholding obligations relating to an Award, fewer shares are delivered upon exercise of a SAR than the number to which the SAR related, or shares that had been issued as Restricted Stock are forfeited, those shares will again be available for Awards under the Plan and will not count against share limitations under Section 4.1. Shares subject to outstanding awards under the 1995 Plan will be counted and deemed available in accordance with the share counting provisions set forth in this Section 4.2. The Committee may adopt procedures for the counting of shares relating to any Award to ensure appropriate counting and avoid double counting (as in the case of tandem or substitute awards), and, for administrative convenience, the Corporation may implement share counting under this Section 4.2(b) in a manner that diverges from the share counting rules set forth herein so long as any such divergence results only in a greater number of shares being counted against the share limitations under Section 4.1. Shares will be available under clause (ii) of Section 4.1 and this Section 4.2 for the grant of ISOs only to the extent consistent with applicable regulations relating to ISOs under the Code.

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

4.4 *Adjustments.*

(a) *Adjustments In Response to Corporate Events.* In the event that the Committee shall determine that any large, special and non-recurring dividend or other distribution (whether in the form of cash or other property), recapitalization, forward or reverse split, dividend of Common Stock, reorganization, merger, consolidation, spin-off, combination, repurchase or share exchange, rights offering, or other similar corporate transaction or event affects the Common Stock, then the Committee shall, in such manner as it may deem equitable, adjust any or all of (i) the number and kind of shares of Common Stock then authorized for delivery for Awards under Section 4.1 and under each Participant's Annual Limit under Section 5.2, and (ii), if an adjustment is necessary in order to prevent dilution or enlargement of the rights of Participants under the Plan, as determined by the Committee, (A) the number and kind of shares of outstanding Restricted Stock or other outstanding Award in connection with which shares have been issued or delivered, (B) the number and kind of shares that may be issued or delivered in respect of other outstanding Awards, (C) the exercise price, grant price, or purchase price relating to any Award (or, if deemed appropriate, the Committee may make provision for a cash payment with respect to any outstanding Award) and (D) any other term relating to an Award. In furtherance of this authorization, with respect to outstanding Awards, upon the occurrence of an event constituting an "equity restructuring" as defined under Statement of Financial Accounting Standards No. 123R with respect to Shares, each Participant shall have a legal right to the equitable adjustment of the Participant's outstanding Awards, with the manner of such adjustment to be determined by the Committee as provided in this Section 4.4. Unless otherwise determined by the Committee, in the event of a forward split of Common Stock or a dividend in the form of Common Stock, each adjustment specified in 4.4(a)(i) and (ii)(A), (B) and (C) shall be effected automatically by multiplying the relevant pre-transaction number of shares by the ratio of the number of shares deliverable in respect of each outstanding share, and multiplying the exercise price of each outstanding Option by the inverse of that ratio. If, in a transaction triggering an adjustment hereunder, public shareholders of the Corporation receive cash for their entire equity interest in the Corporation, an adjustment providing for cancellation of a share-denominated Award in exchange for a cash payment based solely on the then intrinsic value of the Award shall be deemed to meet the requirements of this Article IV.

(b) *Other Adjustments to Award Terms.* The Committee is further authorized to make adjustments in the terms and conditions of, and the criteria included in, Awards in recognition of unusual or nonrecurring events (including, without limitation, events described in the preceding Section) affecting the Corporation or any Affiliate or the financial statements of the Corporation or any Affiliate, or in response to changes in applicable laws, regulations, or accounting principles.

(c) *Limitation on Adjustments Affecting ISOs.* The foregoing notwithstanding, no adjustments shall be authorized under this Section 4.4 with respect to Incentive Stock Options or Awards in tandem therewith to the extent that such authority would cause an Incentive Stock Option to fail to comply with Section 422(b) of the Code.

ARTICLE V

Eligibility

5.1 *Persons Eligible.* Senior Executives and Employees, including directors of the Corporation who are also employees, are eligible to be granted Awards under the Plan.

5.2 *Annual Per-Person Award Limitations.* In each calendar year during any part of which the Plan is in effect, an eligible person may be granted Awards relating to shares up to but not exceeding his or her Annual Limit. A Participant's Annual Limit shall equal two million shares plus the amount, if any, of the Participant's unused Annual Limit relating to such share-denominated Awards as of the close of the previous year, subject to adjustment as provided in Section 4.4. In the case of a cash-denominated Award (for which the limitation on Awards relating to shares would not be calculable at the time of grant), a Participant may not be granted Awards authorizing the earning during any calendar year of an amount that exceeds the Participant's Annual Limit, which for this purpose shall equal \$8 million plus the amount of the Participant's unused cash Annual Limit as of the close of the previous year (this limitation is separate and not affected by the number of Awards granted during such calendar year subject to the limitation on Awards relating to shares). For this purpose, (i) "earning" means satisfying performance conditions so that an amount becomes payable under an Award, without regard to whether the amount is to be paid currently or on a deferred basis or continues to be subject to any service requirement or other non-performance condition, and (ii) a Participant's Annual Limit is used to the extent a number of shares or other amount may be potentially earned or paid under an Award, regardless of whether such shares or amount are in fact earned or paid.

5.3 *No Rights to Awards.* No Senior Executive or Employee shall have any claim to be granted any Award under the Plan, absent a valid written commitment or electronic record of commitment of the Committee or an authorized delegate to grant such Award, and there is no obligation for uniformity of treatment of Participants. Any such commitment shall contain the written or "electronic signatures" (as defined in Section 2.4) of an authorized representative of the Corporation.

ARTICLE VI

Terms of Awards

6.1 *General.* Awards may be granted generally on the terms and conditions set forth in Articles VI and VII. In addition, the Committee may impose on any Award or the exercise thereof, at the date of grant or thereafter, subject to Section 9.4 and Article III, such additional terms and conditions, not inconsistent with the provisions of the Plan, as the Committee shall determine and specify in an Award Document whether in writing or in electronic form.

6.2 *Minimum Vesting Requirements.*

(a) *Options and SARs.* Options, SARs and any other Award carrying a right to exercise shall be forfeitable for at least one year after the date of grant, except in the event of a Participant's death, Disability or Retirement or in the event of a change in control of the Corporation (as such change may be defined by the Committee) or other special circumstances. Except as provided herein, Options, SARs and any other Award carrying a right to exercise shall not be exercisable prior to the time the risk of forfeiture on the Award shall lapse, except in cases in which all net proceeds of exercise remain subject to substantially the same risk of forfeiture.

(b) *Restricted Stock, RSUs and Other Non-Option/Non-SAR Awards.* If the vesting of Restricted Stock, RSUs, and other non-Option/non-SAR Awards for which the Participant does not make a payment or surrender rights to payment having substantial value is not based on the achievement of one or more performance conditions, such Awards will vest (*i.e.*, become non-forfeitable) over a minimum period of three years after the date of the grant, except in the event of a Participant's death, Disability, or Retirement, or in the event of a change in control of the Corporation (as such change may be defined by the Committee) or other special circumstances. If the vesting of such Awards is based on the achievement of one or more performance conditions, such Awards will vest (*i.e.*, become non-forfeitable upon the satisfaction of a performance condition) over a minimum period of one year after the date of the grant, except in the event of a Participant's death, Disability or Retirement, or in the event of a change in control of the Corporation (as such change may be defined by the Committee) or other special circumstances.

(c) *Other Vesting Terms.* For purposes of this Section 6.2, (i) vesting over a three-year period will include periodic vesting over such period, (ii) a pre-announced period in which service is required as a condition to the grant of any Award may count toward the minimum vesting period required under this Section 6.2, if so determined by the Committee, or (iii) with respect to Awards that otherwise would be subject to the minimum vesting requirements of Section 6.2(b) and notwithstanding those requirements, up to 15% of the shares of Common Stock authorized for issuance under the Plan may be granted as non-performance based Awards with vesting terms not conforming to the three-year minimum vesting requirement of this Section 6.2 and instead may be granted with a one-year minimum vesting requirement identical to the requirement in Section 6.2(a).

6.3 *Stand-Alone, Additional, Tandem, and Substitute Awards.* Awards granted under the Plan may, in the discretion of the Committee, be granted on a stand-alone basis or in addition to, in tandem with, or in substitution for any other Award, for any option or other equity award granted under another plan, or for any other right of a Participant to receive payment from the Corporation or an Affiliate, subject to Section 3.4 (relating to repricing) and Section 9.4(b). Thus, Awards may be granted in substitution for outstanding options or other equity awards of a business entity being acquired by the Corporation or an Affiliate. Subject to Section 3.4 and Section 9.4(b), the Committee may determine that, in granting a new Award, an amount not exceeding the in-the-money value of any surrendered Award or award granted under another plan may be applied to reduce the exercise price of any Option, grant price of any SAR, or purchase price of any other Award, or that the fair value of any surrendered Award or award may be applied to reduce the fair-value purchase price of any other Award, and the vesting requirement of the new Award may be reduced by taking into account the vesting period that has been satisfied with respect to the surrendered Award or award (in proportion to the value of the awards).

6.4 *Maximum Term of Awards.* The term of each Award shall be for such period as may be determined by the Committee, except that the term of any Option or SAR shall not exceed ten years from the date of grant of the Award.

6.5 *Form of Payment Under Awards.* Subject to the terms of the Plan and any applicable Award Document, payments to be made by the Corporation or an Affiliate upon the grant, exercise, or settlement of an Award may be made in such forms as the Committee shall determine, including, without limitation, cash, Common Stock, other Awards, or other property, and may be made in a single payment or transfer, in installments, or on a deferred basis as determined by the Committee. Such payments may include, without limitation, provisions for (i) the payment or

crediting of reasonable interest on installment or deferred payments or (ii) the grant or crediting of Dividend Equivalents in respect of installment or deferred payments denominated in Common Stock.

6.6 *Limitations on Transferability.* Awards and any other rights under the Plan will not be transferable by a Participant except by will or the laws of descent and distribution (or to a designated Beneficiary in the event of the Participant's death), and, if exercisable, shall be exercisable during the lifetime of a Participant only by such Participant or his guardian or legal representative. No transfer by will or the laws of descent and distribution shall be effective to bind the Corporation unless the Corporation shall have been furnished with a copy of such will or other evidence as the Corporation may deem necessary to establish the validity of the transfer. Awards and other rights under the Plan may not be pledged, mortgaged, hypothecated, or otherwise encumbered, and shall not be subject to the claims of creditors. The foregoing notwithstanding, if and to the extent expressly permitted by the Committee, and subject to such terms and conditions as established by the Committee, such Awards and other rights (other than Incentive Stock Options, Awards in tandem therewith, and Awards that constitute a deferral of compensation under Code Section 409A) may be transferred by a Participant to one or more Beneficiaries, and may be exercised by such Beneficiaries in accordance with the terms of such Award, except that no such transfers may be made to any third party for value unless separately approved by stockholders of the Corporation. Awards that constitute a deferral of compensation under Code Section 409A shall be subject to the additional limitations on transferability specified in Treasury Regulation § 1.409A-3(f).

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

6.8 *Insider Trading Policies Apply; Additional Forfeiture Conditions.* A Participant's rights under any Award, including rights to exercise or receive settlement and rights to sell any Common Stock delivered in connection with an Award, are subject to the terms of the Corporation's Code of Conduct (or any successor thereof) and related policies on insider trading and may be restricted by those documents. Such restrictions currently include limitations on the times at which the Participant may engage in such transactions. In addition, the Committee may impose on any Award additional forfeiture conditions that protect the Corporation and its Affiliates. Such additional forfeiture conditions may include provisions that the Award, or amounts of cash, Common Stock, or other property realized by the Participant as income or gain as a result of the Award, shall be forfeited or repaid to the Corporation if the Participant fails to comply with conditions relating to non-solicitation of employees, customers and suppliers, non-competition, preservation and appropriate use of proprietary and confidential information of the Corporation and Affiliates, return of property, non-disparagement of the Corporation and Affiliates, cooperation in litigation, and other restrictions protecting the Corporation and Affiliates. Such conditions may apply to events occurring following Termination.

ARTICLE VII Forms of Awards

7.1 *Options.* The Committee is authorized to grant Options, which may be either Incentive Stock Options or Nonqualified Stock Options, to Participants on the following terms and conditions:

(a) *Exercise Price.* The exercise price per share of Common Stock purchasable under an Option shall be determined by the Committee; provided, however, that such exercise price shall be not less than the Fair Market Value of a share on the date of grant of such Option (subject to Section 6.3).

(b) *Time and Method of Exercise.* The Committee shall determine the time or times at which an Option may be exercised in whole or in part (subject to Section 6.2 and Section 6.4); the methods by which such exercise price may be paid or deemed to be paid, the form of such payment, including, without limitation, cash, Common Stock (including through withholding of Common Stock deliverable upon exercise, if such withholding will not result in additional accounting expense to the Corporation), other Awards or awards granted under other plans of the Corporation, or other property, or through broker-assisted “cashless exercise” arrangements to the extent permitted by applicable law (subject to Section 3.4); and the methods by which Common Stock will be delivered or deemed to be delivered to Participants.

(c) *Incentive Stock Options.* The terms of any Incentive Stock Option granted under the Plan shall comply in all respects with the provisions of Section 422 of the Code.

7.2 *Stock Appreciation Rights.* The Committee is authorized to grant SARs to Participants on the following terms and conditions:

(a) *Grant Price.* The grant price of a SAR shall be determined by the Committee as of the date of grant of the SAR, provided, however, that the grant price of a SAR shall be not less than the Fair Market Value of one share of Common Stock on the date of grant (subject to Section 6.3).

(b) *Exercise of SAR and Other Terms.* The Committee shall determine the time or times at which a SAR may be exercised in whole or in part (subject to Section 6.2 and Section 6.4), the method of exercise, method of settlement, form of consideration payable in settlement, method by which Common Stock will be delivered or deemed to be delivered to Participants, whether a SAR shall be in tandem with any other Award or shall be free-standing, and any other terms and conditions of any SAR. A SAR may be exercised by the Participant, his or her Beneficiary, or automatically during a specified period or periods.

7.3 *Restricted Stock.* The Committee is authorized to grant Restricted Stock to Participants on the following terms and conditions:

(a) *Restrictions Generally.* Restricted Stock shall be subject to such restrictions on transferability and other restrictions, if any, as the Committee may impose, which restrictions may lapse separately or in combination at such times, under such circumstances, in such installments, or otherwise as the Committee may determine (subject to Section 6.2). Except to the extent restricted under the terms of the Plan and any Award Document relating to the Restricted Stock, a Participant granted Restricted Stock shall have all of the rights of a stockholder including, without limitation, the right to vote Restricted Stock and the right to receive dividends thereon.

(b) *Forfeiture.* In addition to the risk of forfeiture imposed under Section 6.2, upon Termination during the applicable restriction period Restricted Stock that is at that time subject to restrictions shall be forfeited and reacquired by the Corporation; provided, however, that the Committee may provide, by rule or regulation or in any Award Document, or may determine in any individual case, that restrictions or forfeiture conditions relating to Restricted Stock will be waived in whole or in part in the event of death, Disability, Retirement or other Terminations resulting from specified causes or in the event of a change in control of the Corporation (as such change may be defined by the Committee), except as otherwise provided in Section 6.2.

(c) *Certificates or other Evidence of Ownership of Common Stock.* Restricted Stock granted under the Plan may be evidenced in such manner as the Committee shall determine. If certificates representing Restricted Stock are registered in the name of the Participant, such certificates shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Restricted Stock, or shall be required to be transferred into the name of a custodian designated by the Corporation. In either case, the Corporation or such custodian shall retain physical possession of the certificate, and the Participant shall, upon the request of the Corporation at any time, deliver a stock power to the Corporation, endorsed in blank if so requested by the Corporation, relating to the Restricted Stock.

(d) *Dividends and Distributions.* Dividends paid on Restricted Stock shall be either paid at the dividend payment date in cash or in shares of unrestricted Common Stock having a Fair Market Value equal to the amount of such dividends, or the payment of such dividends shall be deferred and/or the amount or value thereof automatically reinvested in additional Restricted Stock, other Awards, or other investment vehicles, as the Committee shall determine or permit the Participant to elect. Unless otherwise determined by the Committee, Common Stock distributed in connection with a Common Stock split or Common Stock dividend, and other property distributed as a dividend, shall be subject to restrictions and a risk of forfeiture to the same extent as the Restricted Stock with respect to which such Common Stock or other property is distributed.

7.4 *Deferred Stock.* The Committee is authorized to grant Deferred Stock to Participants, subject to the following terms and conditions:

(a) *Deferral of Delivery and Restrictions.* Delivery of Common Stock will occur upon expiration of the deferral period specified for an Award of Deferred Stock by the Committee (or, if permitted by the Committee, as elected by the Participant). In addition, Deferred Stock shall be subject to such restrictions as the Committee may impose, if any, which restrictions may lapse at the expiration of the deferral period or at earlier specified times, separately or in combination, under such circumstances, in such installments, or otherwise as the Committee may determine.

(b) *Forfeiture.* Deferred Stock that is subject to a risk of forfeiture is referred to as RSUs. In addition to the risk of forfeiture imposed under Section 6.2, upon Termination during the applicable deferral period or portion thereof to which forfeiture conditions apply (as specified by the Committee in the Award Document evidencing the RSUs), all RSUs that are at that time subject to such risk of forfeiture shall be forfeited; provided, however, that the Committee may provide, by rule or regulation or in any Award Document, or may determine in any individual case, that restrictions or forfeiture conditions relating to RSUs will be waived in whole or in part in the event of death, Disability, Retirement or other Terminations resulting

from specified causes or in the event of a change in control of the Corporation (as such change may be defined by the Committee), except as otherwise provided in Section 6.2.

7.5 Stock Bonus; Awards in Lieu of Other Obligations. Stock Bonuses granted hereunder shall be subject to the provisions of Section 6.2 and to other terms and conditions as shall be determined by the Committee; *provided, however,* that the Committee is authorized to grant Stock Bonuses (or other Awards) which are not subject to the provisions of Section 6.2, so long as the Committee has determined that such Awards are in lieu of obligations that the Corporation or an Affiliate otherwise owes to an Employee or Senior Executive who makes a payment or surrenders a right to payment having substantial value.

7.6 Dividend Equivalents. The Committee is authorized to grant Dividend Equivalents to a Participant. Dividend Equivalents may be awarded on a free-standing basis or in connection with another Award. The Committee may provide that Dividend Equivalents shall be paid or distributed when accrued or upon the settlement of the underlying Award. The Committee also may provide that Dividend Equivalents shall be reinvested or deemed reinvested in additional Common Stock, Awards, or other investment vehicles, and shall be subject to such restrictions on transferability and risks of forfeiture, as the Committee may specify.

7.7 Other Stock-Based Awards. The Committee is authorized, subject to limitations under applicable law, to grant to Participants such other Awards that may be denominated or payable in, valued in whole or in part by reference to, or otherwise based on, or related to, Common Stock and factors that may influence the value of Common Stock, as deemed by the Committee to be consistent with the purposes of the Plan. The Committee shall determine the terms and conditions of such Awards. Common Stock delivered pursuant to an Award in the nature of a purchase right granted under this Section 7.7 shall be purchased for such consideration, paid for at such times, by such methods, and in such forms, including, without limitation, cash, Common Stock, other Awards, or other property, as the Committee shall determine.

7.8 Incentive Awards. Incentive Awards, under which a Participant may earn a cash amount through performance and/or service, may be granted pursuant to this Section 7.8. An Incentive Award may be a stand-alone Award or an element of or supplement to another Award.

ARTICLE VIII Performance Awards

8.1 Performance Awards Generally. The Committee is authorized to grant Performance Awards on the terms and conditions specified in this Article VIII. Performance Awards may be denominated as a number of shares of Common Stock or a cash amount earnable under an Incentive Award or a specified number of shares under other Awards that may be earned upon achievement or satisfaction of performance conditions specified by the Committee (for example, performance shares, where the number of RSUs or Deferred Shares earned can vary upward or downward based on performance). In addition, the Committee may specify that any other Award shall constitute a Performance Award by conditioning the right of a Participant to exercise the Award or have it settled upon achievement or satisfaction of such performance conditions as may be specified by the Committee. The Committee may use such business criteria and other measures of performance as it may deem appropriate in establishing any performance conditions, and may exercise its discretion to reduce or increase the amounts payable under any Award subject to performance conditions, except as limited under Sections 8.2.

8.2 *Performance Awards Subject to Pre-Established Terms.* If the Committee determines that a Performance Award to be granted to an eligible person should be subject to preestablished terms that limit discretion, the grant, exercise and/or settlement of such Performance Award shall be contingent upon achievement of a preestablished performance goal or goals and other terms set forth in this Section 8.2.

(a) *Performance Goal.* The performance goal for such a Performance Award shall consist of one or more business criteria and a targeted level or levels of performance with respect to each of such criteria, as specified by the Committee consistent with this Section 8.2. The performance goal shall be objective, and, at the time such performance goal is established, the type and levels of performance required shall be such that achievement of the performance goal shall be substantially uncertain. The Committee may determine that such Performance Awards shall be granted, exercised and/or settled upon achievement of any one performance goal or upon achievement of two or more performance goals. Performance goals may differ for Performance Awards granted to any one Participant or to different Participants.

(b) *Business Criteria for Performance Goals.* One or more of the following business criteria relating to the Corporation, on a consolidated basis, and/or to specified subsidiaries or affiliates or other business units of the Corporation, shall be used by the Committee in establishing performance goals for such Performance Awards: (1) mission measures: affordable housing goals, low-cost financing initiatives, quality-of-business measures, customer initiatives and customer satisfaction; (2) operational improvement measures: risk management, enhancing operational stability, improving or otherwise advancing disclosure controls, cost reductions, productivity, and legal and regulatory compliance; (3) capital management measures; and (4) financial measures: interest income, revenues, income before income taxes, extraordinary items and/or cumulative effect of changes in accounting principles, revenues, net income or net income per common share (basic or diluted), return on assets (gross or net), return on investment, return on capital, or return on equity, cash flow, free cash flow, cash flow return on investment (discounted or otherwise), net cash provided by operations, or cash flow in excess of cost of capital, interest expense or non-interest expense, economic value created or otherwise maximizing long-term value, operating margin or profit margin, and stock price or total stockholder return. The targeted level or levels of performance with respect to such business criteria may be established at such levels and in such terms as the Committee may determine, in its discretion, including in absolute terms, as a goal relative to performance in prior periods, or as a goal compared to the performance of one or more comparable companies or an index covering multiple companies.

(c) *Performance Period; Timing for Establishing Performance Goals; Per-Person Limit.* Achievement of performance goals in respect of such Performance Awards shall be measured over a performance period specified by the Committee. A performance goal shall be established not later than the earlier of (i) 90 days after the beginning of any performance period applicable to such Performance Award or (ii) the time 25% of such performance period has elapsed. In all cases, the maximum Performance Award of any Participant shall be subject to the limitation set forth in Section 5.2.

8.3 *Settlement of Performance Awards; Other Terms.* Settlement of such Performance Awards shall be in Stock, other Awards, cash or other property, in the discretion of the Committee. The Committee may, in its discretion, increase or reduce the amount of a settlement otherwise to be made in connection with such Performance Awards, except that, in the case of a Performance Award subject to Section 8.2, the exercise of such discretion is limited to reducing the amount

payable in respect of the Performance Award. The Committee may specify the circumstances in which such Performance Awards shall be paid or forfeited in the event of termination of employment by the Participant or other event (including a change in control) prior to the end of a performance period or prior to settlement of such Performance Awards.

8.4 *Written Determinations.* Determinations by the Committee as to the establishment of performance goals, the amount potentially payable in respect of Performance Awards, the level of actual achievement of the specified performance goals relating to Performance Awards, and the amount of any final Performance Award shall be recorded in writing in the case of Performance Awards subject to Section 8.2. Specifically, the Committee shall certify in writing, prior to settlement of each such Performance Award, that the performance objective relating to the Performance Award and other material terms of the Award upon which settlement of the Award was conditioned have been satisfied.

ARTICLE IX

General Provisions

9.1 *Compliance With Laws and Obligations.* The Corporation shall not be obligated to issue or deliver Common Stock in connection with any Award or take any other action under the Plan in a transaction subject to any federal or state law, any requirement under any listing agreement between the Corporation and any national securities exchange or automated quotation system, or any other law, regulation, or contractual obligation of the Corporation, until the Corporation is satisfied that such laws, regulations, and other obligations of the Corporation have been complied with in full. Certificates representing shares of Common Stock delivered under the Plan will be subject to such stop transfer orders and other restrictions as may be applicable under such laws, regulations, and other obligations of the Corporation, including any requirement that a legend or legends be placed thereon. The Corporation shall make best efforts to satisfy the compliance obligations relating to the Plan and Awards in order to avoid adverse effects on Participants under this Section 9.1.

9.2 *Limitation of Participant Rights.* Neither the Plan nor any action taken hereunder shall be construed as (i) giving any employee the right to be retained in the employ of the Corporation or any Affiliate or (ii) interfering in any way with the right of the Corporation or any Affiliate to terminate any employee's employment at any time. Except as expressly provided in the Plan and an Award Document, neither the Plan nor any Award Document shall confer on any person other than the Corporation and the Participant any rights or remedies hereunder or thereunder.

9.3 *Tax Provisions.*

(a) *Withholding.* The Corporation or any Affiliate is authorized to withhold from any Award granted or to be settled, any delivery of Common Stock in connection with an Award, any other payment relating to an Award, or any payroll or other payment to a Participant amounts of federal, state, and local withholding taxes and other taxes due or potentially payable in connection with any transaction involving an Award, and to take such other action as the Committee may deem advisable to enable the Corporation and Participants to satisfy obligations for the payment of withholding taxes and other tax obligations relating to any Award. This authority shall include, but not be limited to, authority to withhold or receive Common Stock or other property and to make cash payments in respect thereof in satisfaction of a Participant's tax obligations; the Committee may require such withholding or permit the Participant to elect withholding, provided that only the minimum amount of Common Stock deliverable in connection with an Award necessary to satisfy statutory withholding

requirements will be withheld unless withholding of a greater amount of Common Stock would not result in additional accounting expense to the Corporation. Upon any withholding or surrender of shares of Common Stock, the shares shall be valued at their Fair Market Value at the date they are withheld or received by the Corporation, except that withheld shares may be valued based on same-day market transactions by the Participant or otherwise for convenience of administration of the Plan.

(b) *Required Notifications of Tax Events.* If any Participant shall make a disqualifying disposition of shares of Common Stock delivered pursuant to the exercise of an Incentive Stock Option (*i.e.*, a disposition described in Code Section 421(b)), such Participant shall notify the Corporation of such disposition within ten days thereof. In any case in which a Participant is permitted to make an election (and does make an election) under Section 83(b) of the Code (to include in gross income in the year of transfer the amounts specified in Code Section 83(b)) in connection with an Award, the Participant shall notify the Corporation of such election within ten days of filing notice of the election with the Internal Revenue Service, in addition to any filing and notification required under Section 83(b) and regulations thereunder. No Participant shall make a Section 83(b) election in connection with any Award unless explicitly authorized in the Award Document or otherwise approved by the Committee.

(c) *Rules for Compliance with Code Section 409A.* The Committee or persons exercising delegated authority under the Plan are authorized to specify rules and regulations to ensure that Awards do not result in tax penalties for Participants under Code Section 409A. In the case of any Award which constitutes a “short-term deferral” under Treasury Regulation § 1.409A-1(b)(4) and providing for a distribution upon the lapse of a substantial risk of forfeiture, if the timing of such distribution is not otherwise specified in the Plan or an Award agreement or other governing document, the distribution shall be made not later than March 15 of the year following the year in which the substantial risk of forfeiture lapsed. In the case of an Award constituting a deferral of compensation under Code Section 409A, if the timing of a distribution following a date or event triggering a distribution is not otherwise specified in the Plan or an Award agreement or other governing document, the distribution shall be made within 60 days after such triggering event. In either case, the Participant shall have no influence on any determination as to the tax year in which the distribution will be made. Any award that was both granted and vested before 2005 and which otherwise might constitute a deferral of compensation under Section 409A is intended to be “grandfathered” under Section 409A, unless such Award is designated by the company as being subject to Section 409A in 2008 or earlier. No amendment or change to the Plan or other change (including an exercise of discretion) with respect to such a grandfathered award after October 3, 2004, shall be effective if such change would constitute a “material modification” of a grandfathered award within the meaning of applicable guidance or regulations under Section 409A, except in the case of an award that is specifically modified before 2009 to become compliant as a 409A Award or compliant with an exemption under Section 409A.

9.4 *Changes to the Plan and Awards.*

(a) *Plan Amendments.* The Committee may, with prospective or retroactive effect, amend, alter, suspend, discontinue, or terminate the Plan without the consent of stockholders or Participants, except that any amendment shall be subject to the approval of the Corporation’s stockholders at or before the first annual meeting of stockholders for which the record date falls on or after the date of such Committee action if such amendment is required under Section 303A.08 of the Listed Company Manual of the New York Stock Exchange or is

otherwise subject to a requirement of stockholder approval under any applicable law or regulation, the rules of any stock exchange or automated quotation system on which the Common Stock may then be listed or quoted, or the Corporation's Bylaws. In addition, the Committee may otherwise, in its discretion, determine to submit other such changes to the Plan to stockholders for approval. The foregoing notwithstanding, without the consent of an affected Participant, except to the extent required by Section 9.1 hereof, no such action may materially impair the rights of such Participant under any Award therefore granted. The foregoing notwithstanding, the Committee shall not amend this Section or Section 4.1, or adopt an amendment that would be subject to stockholder approval under this Section or otherwise would exceed the authority of the Committee under its charter and other corporate governance documents of the Corporation, without the consent of the Board.

(b) *Changes to the Terms of Outstanding Awards.* The Committee may waive any conditions or rights under, or amend, alter, suspend, discontinue, or terminate, any Award previously granted and any Award Document relating thereto; provided, however, that, except to the extent required by Section 9.1 hereof, no such action may materially impair the rights of a Participant under such Award without the consent of the affected Participant and provided further that for Awards that are intended to be settled in Common Stock per their written terms, cash settlement shall be permitted only with the prior approval of the Corporation's Chief Financial Officer. Modifications that are in substance cash settlements are subject to this same requirement. The foregoing notwithstanding, the Committee shall have no authority to waive or modify any Award term after the Award has been granted to the extent the waived or modified term would be inconsistent with Section 3.4 (relating to repricings) or Section 6.2 or otherwise would not be within the discretion of the Committee if it were then granting a new Award.

9.5 *Unfunded Status of Awards other than Restricted Stock.* The Plan is intended to constitute a generally "unfunded" plan for incentive compensation, except with respect to Restricted Stock. With respect to any payments not yet made to a Participant pursuant to an Award other than Restricted Stock, nothing contained in the Plan or any such Award shall give any such Participant any rights that are greater than those of a general creditor of the Corporation. No person shall, prior to exercise or settlement of an Award other than Restricted Stock, acquire any right in or title to any assets, funds, or property of the Corporation whatsoever, including, without limitation, any specific funds, assets, or other property, which the Corporation, in its sole discretion, may set aside in anticipation of a liability under the Plan. Nothing contained in the Plan shall constitute a guarantee that the assets of the Corporation shall be sufficient to pay any benefits to any person.

9.6 *Nonexclusivity of the Plan.* Neither the adoption of the Plan by the Board nor its submission to the stockholders of the Corporation for approval shall be construed as creating any limitations on the power of the Board or Committee to adopt such other compensatory arrangements as it may deem desirable, including, without limitation, the granting of equity or cash incentives otherwise than under the Plan, and such arrangements may be either applicable generally or only in specific cases.

9.7 *Fractional Shares.* No fractional shares of Common Stock shall be issued or delivered pursuant to the Plan or any Award, unless the Committee determines that it is administratively feasible and desirable to deliver fractional shares (such as through an intermediary that can credit accounts with fractional shares). In cases in which fractional shares are not delivered, the Committee shall determine whether cash, other Awards, or other property shall be issued or paid in

lieu of such fractional shares, whether such fractional shares or any rights thereto shall be forfeited or otherwise eliminated, or other treatment accorded to such fractional shares.

9.8 *Awards Not Compensation Under Plans.* No Award shall be considered as compensation under any employee benefit plan of the Corporation or an Affiliate except as specifically provided in any such plan or otherwise determined by the Committee.

9.9 *Repayments to Participants in Connection with Forfeitures.* Unless otherwise determined by the Committee, in the event of a forfeiture of an Award with respect to which a Participant paid cash consideration (for example, a forfeiture of an Option share, if forfeiture conditions applied to shares after exercise), the Participant shall be repaid the amount of such cash consideration.

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

9.11 *Termination of Authority to Grant Awards Under the 1995 Plan.* Upon effectiveness of the Plan as provided in Section 9.12, the authority to grant new awards under the 1995 Plan shall terminate. In other respects, the 1995 Plan will remain in effect in accordance with its terms, except as provided in Section 4.2 hereof.

9.12 *Stockholder Approval, Termination of Authority to Grant Awards and Termination of the Plan.* The Plan became effective on November 4, 2004. This amendment and restatement of the Plan shall become effective upon its approval by stockholders of the Corporation by an affirmative vote that meets the requirements of the Corporation's Bylaws and of the Listed Company Manual of the New York Stock Exchange as then in effect. No Award may be granted after the tenth anniversary of the latest date upon which stockholders of the Corporation have approved the Plan or an amendment and restatement of the Plan. The Plan will remain in effect thereafter until such time as the Corporation has no further rights or obligations under the Plan with respect to outstanding Awards under the Plan, unless the Plan is earlier terminated by the Committee.