

April 2004

A Letter From

Jerome Lienhard

Senior Vice President, Debt & Equity Financing

Dear Freddie Mac Investor:

As we move into the second quarter of 2004, I am encouraged by the outlook for the future of Freddie Mac. Under our new CEO, Richard Syron, Freddie Mac is on course to re-establish your confidence. We have embarked on a new direction renewing our commitment to hold ourselves to a higher standard of accountability, re-embracing our mission to expand homeownership in the U.S., and driving the markets-based model to fund housing. Moving in this new direction, Freddie Mac intends to create value for all our investors.

Despite the difficulties we faced last year, the business of Freddie Mac continues to function smoothly. Freddie Mac is financing homes at a robust pace – one new home every six seconds. Last year, we financed the homes for 5.5 million families. Indeed, we are contributing to the housing sector, one of the bright spots in the U.S. economy. None of this would be possible without your support of our Global Debt Funding program.

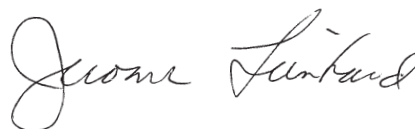
Freddie Mac's debt funding needs have remained strong, and we continue to meet our funding goals through our scheduled calendar issuances of Reference Bills[®] securities (Reference Bills) and Reference Notes[®] securities (Reference Notes) and our discount and medium-term notes programs. In January, we issued new 3- and 10-year Reference Notes, which together, at \$10 billion, represents the largest agency financing in any single month. Demand from Asian and European investors remained strong, demonstrating continued investor confidence in our Reference Notes program and our overall safety and soundness.

Callable debt remains an integral and growing component of our funding program given that it is a tactical instrument for hedging our mortgage-related securities portfolio. For this reason, callable debt will remain an important part of Freddie Mac's funding program, enabling us to fulfill our mission to stabilize the nation's mortgage markets and expand opportunities for homeownership and affordable rental housing. Today, callable debt outstanding represents one-third of Freddie Mac's overall funding, on par with our outstanding short-term money market instruments and long-term Reference Notes products.

We thought it would be useful to focus this issue on another component of our overall funding program, our €Reference Notes[®] securities (€Reference Notes), which provide us with strategic diversification in our overall funding strategy.

As always, we stand ready to assist you in any way we can, so please do not hesitate to contact us at any time. Thanks again for your continued support of Freddie Mac's debt products.

Sincerely,

**This Issue**

Freddie Mac's €Reference Notes Securities
Data Bank

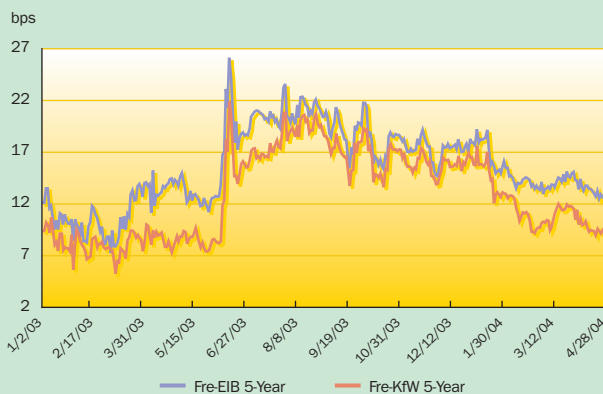


Freddie Mac's €Reference Notes

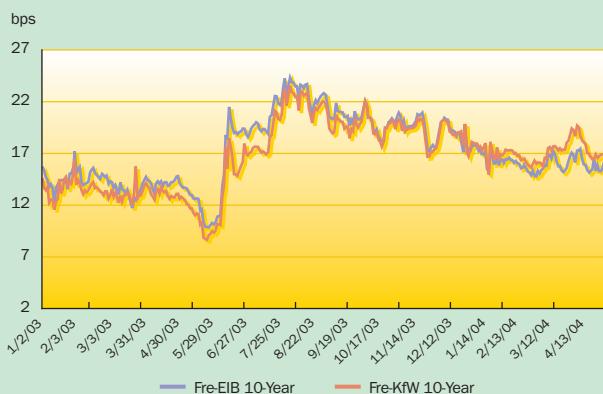
€Reference Notes Offer Liquidity, Transparency...

To achieve our mission of expanding homeownership and affordable rental housing in the U.S., Freddie Mac finances its purchases of mortgage loans and mortgage-related securities primarily through the issuance of short- and long-term debt securities. The backbone of our funding program is our suite of Reference securities, which includes Reference Bills, Reference Notes and €Reference Notes. Each of these debt products plays a key strategic role in our funding program and offers investors globally a variety of opportunities to invest in the vibrant U.S. housing market. While our Reference Bills serve as working capital, our Reference Notes provide us longer-term permanent dollar funding. We achieve funding diversification through our issuance of €Reference Notes.

5-Year Interest Rate Differentials



10-Year Interest Rate Differentials



Although we fund our mortgage investments primarily through the issuance of dollar-denominated debt securities, our €Reference Notes are an integral component of our debt funding program. This euro-denominated borrowing platform, established by Freddie Mac in 2000, is designed to offer euro investors around the globe fixed income investments with liquidity, transparency and predictability. Our success in maintaining these desirable characteristics is made possible by the continuing support of the dealer community. Similar to our Reference Notes program, our €Reference Notes are supported by a dedicated dealer group comprised of more than 20 leading market-makers. Our €Reference Notes securities also trade on several electronic platforms in Europe, increasing price discovery in the secondary market and supporting liquidity in our debt securities.

To enhance the price performance and liquidity of our €Reference Notes, Freddie Mac conducts periodic repurchase operations, which are intended to serve the mutual interests of our investors and Freddie Mac. We conduct these operations with transparency in mind, providing overnight advance public notice that includes target issues, the submission deadline for offers, the maximum purchase amount and settlement date. Since these operations were introduced in 2002, we have repurchased €8.2 billion of €Reference Notes in six periodic repurchase operations, enabling us to enhance liquidity in outstanding issues while facilitating investor interest in new issues. In addition to liquidity benefits, we believe these buyback operations help to improve the relative value of this asset class. In our next issue of *Reference Point*, we will focus on our periodic repurchase operations to provide you a deeper understanding of the important role these operations play in our funding and risk management strategies.

...and Predictability

In 2004, Freddie Mac removed the announcement, issue and maturity dates for €Reference Notes from the Global Debt Funding Calendar. In part, we took this step after recognizing that our calendar-approach to the European market was inappropriate, primarily due to the greater number of sovereign, agency, and supra-sovereign ("SAS") issuers in Europe. In an attempt

to balance our desire to be predictable but responsive to investor demand, we now announce our funding intentions in our *Quarterly Funding Announcement & Summary*, a publication that supplements our debt funding calendar. Moving our €Reference Notes to a quarterly announcement schedule underscores our goal of aligning Freddie Mac's funding needs with investors' appetites while improving our ability to offer the global marketplace securities at the right size and maturity. We remain strongly committed to our European investors and seek to continue contributing to the development of a liquid SAS sector in Europe. We will look for opportunities to issue €Reference Notes and other attractive euro-denominated securities – such as callables, floaters, and structured notes – on a regular basis. For 2004, we expect to issue between €10 billion and €15 billion in euro-denominated debt.

€Reference Notes Offer Attractive Yields

Freddie Mac's €Reference Notes currently offer investors attractive yields relative to other high-quality SAS issuers in euros without having to sacrifice liquidity. Secondary market liquidity, as measured by bid-offer spreads of €Reference Notes, is comparable to other actively traded issuers in the SAS sector. We believe this, in part, reflects Freddie Mac's focus on creating liquidity for its euro-denominated securities through its disciplined issuance strategy.

Why Does Freddie Mac Issue Euro-Denominated Securities?

By issuing in euros, Freddie Mac is able to tap a new pool of fixed income investors globally. In fact, the geographic distributions of our investor base for Reference Notes and €Reference Notes securities, shown on the back of this publication, are mirror images – with each product attracting investors from its respective regional currency base. In addition to their participation in Reference Notes

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securities, investors in Asia have shown a healthy participation in €Reference Notes underscoring the importance of this large and growing investor base to our overall funding strategies.

Moreover, with each €Reference Notes issuance, Freddie Mac has attracted new investors – nearly 700 investors since our €Reference Notes were introduced in 2000. For some of these investors, €Reference Notes have served as a bridge into Freddie Mac's debt funding program, with an estimated ten percent of €Reference Notes investors crossing over into purchases of our USD Reference Notes securities.

The long-term, strategic value of diversifying our investor base justifies the relatively greater nominal cost of issuing our debt in euros. And while our €Reference Notes account for only 4.0 percent of our total funding, that represents €31 billion in outstanding supply we otherwise would have been funded in U.S. dollars.

Freddie Mac's dual-currency funding program positions us to provide continuous, low-cost funding for America's mortgage market in a manner that responds to changes in the supply of and demand for U.S.-dollar-denominated securities. We will continue to issue liquid €Reference Notes securities through transparent and predictable means, maintaining a highly liquid euro-denominated funding source that helps us fulfill our housing mission. ■

Sovereign, Agency, and Supra-Sovereign Bond Spreads

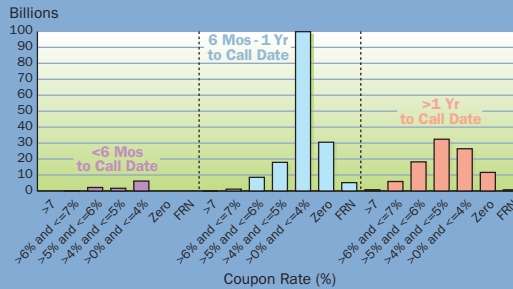
Issuer	Rating	Maturity	Spread to Swaps Curve	Relative Yield Advantage of €Reference Notes
5-year sector				
Freddie Mac	Aaa/AAA	Feb 08	2.5 bp	
KfW	Aaa/AAA	Apr 08	-6.9	+9.4 bp
EIB	Aaa/AAA	Oct 08	-10.2	+12.7
Belgium	Aa1/AA1	Sep 08	-7.6	+10.1
Italy	Aa2/AA	Sep 08	-4.9	+7.4
10-year sector				
Freddie Mac	Aaa/AAA	Jan 14	16.5	
KfW	Aaa/AAA	Jul 14	-0.6	+17.1 bp
EIB	Aaa/AAA	Oct 13	0.9	+15.6
Austria	Aaa/AAA	Jul 14	-5.4	+21.9
Belgium	Aa1/AA1	Sep 14	-4.3	+20.8
Italy	Aa2/AA	Aug 14	1.7	+18.2

Data Bank

Discount Notes and Reference Bills[®] Issued as of March 31, 2004

Maturity	1st Qtr 2004 Par Amount Issued (billions)	YTD Par Amount Issued (billions)
<1 Month (ex. Overights)	15.69	15.69
1-2 Months	0.15	0.15
2-3 Months	2.01	2.01
3-6 Months	56.58	56.58
6 Months - 1 YR	42.88	42.88
TOTAL	\$117.31	\$117.31

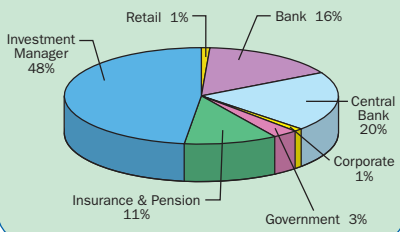
Callable MTNs Outstanding as of March 31, 2004



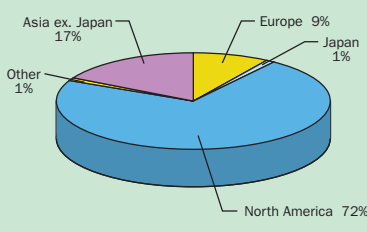
Maturity	Callable MTN O/S (billions)
1-3 YRS	72.3
> 3-5 YRS	52.0
> 5-10 YRS	69.3
> 10 YRS	75.9
TOTAL	\$269.6

12 Months Ended March 31, 2004

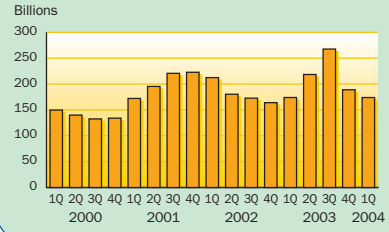
Reference Notes[®] Issuance Investor Distribution (ex. auctions)



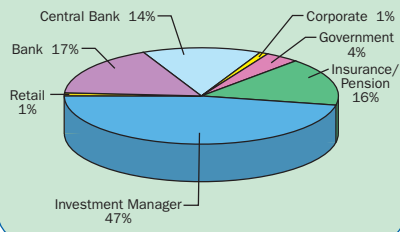
Reference Notes[®] Issuance Geographic Distribution (ex. auctions)



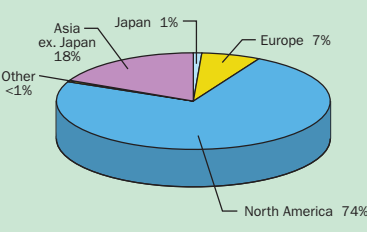
Discount Notes and Reference Bills[®] Outstanding as of March 31, 2004



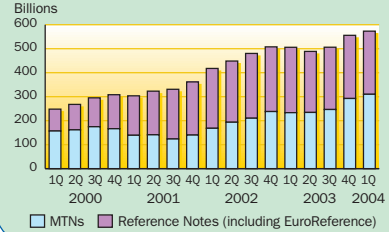
Syndicated MTN Issuance Investor Distribution



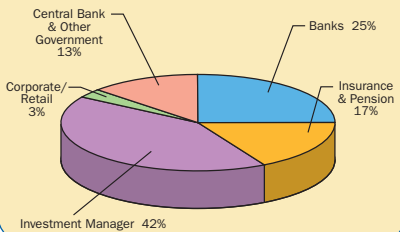
Syndicated MTN Issuance Geographic Distribution



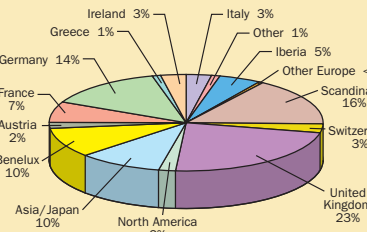
MTNs and Reference Notes[®] Outstanding as of March 31, 2004



€Reference Notes[®] Investor Distribution



€Reference Notes[®] Geographic Distribution



€Reference Notes[®] Outstanding as of March 31, 2004

Structure	Coupon Rate	Date Contractual Maturity	ISIN	Amount Outstanding (Euros in bins)
3-Year	4.625	5/15/05	XS0146883581	4.29
5-Year	5.250	1/15/06	XS0121336266	4.05
5-Year	4.625	2/15/07	XS0142391209	3.86
5-Year	3.500	2/15/08	XS0161387468	3.58
10-Year	5.750	9/15/10	XS0117858323	3.95
10-Year	5.125	1/15/12	XS0136341814	3.30
10-Year	4.750	1/15/13	XS0154444870	4.02
10-Year	4.375	1/15/14	XS0184595311	4.00

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