



A letter from:

John Radwanski

Vice President & Assistant Treasurer, Debt Funding

Dear Freddie Mac Investor:

Throughout the years, Freddie Mac's funding program has adapted to changing market conditions and investor demand. These enhancements have been made with an eye on maintaining our borrowing platform's core operating principles — issuing securities that offer liquidity, predictability and transparency. We understand that the capital markets and investors demand timely, comprehensive information on our issuance plans, and we continually enhance our Quarterly Funding Announcement (QFA) to include a wide range of debt and mortgage-backed securities funding program details. Given our need to rollover more than \$150 billion in maturing term debt through end-2007, we will maintain a disciplined approach to liability management and encourage investors and dealers to review our QFA to obtain the latest information on our issuance plans and program modifications.

We believe that increasing the transparency and predictability of our funding platform helps to enhance the liquidity of our securities. We also use liquidity enhancing techniques, such as debt exchanges, repurchase operations and re-openings to help maximize the liquidity of our on-the-run Reference Notes® securities. These activities also help us manage our net issuance while meeting our calendar commitments.

For structured securities, we periodically conduct tender offers on callable notes with expired call features. Providing an additional bid for these securities not only enhances the liquidity but also the valuation of these securities that have essentially become non-callable notes, or bullet securities. Given that the call feature is an integral component of our interest-rate risk management framework, tender offers on expired callable securities are mutually beneficial for Freddie Mac and investors. In this current environment of rising interest rates, the amount of expired callable

notes has increased so we thought it would be useful to provide greater details about the way we conduct tender offers.

We also wanted to share with you some organizational changes made within Funding & Investor Relations following the addition of Tim Bitsberger as Senior Vice President and Treasurer. In an effort to streamline our investor outreach efforts, Tim has integrated all fixed income investor and dealer relations under Grace Sone, who now reports to Tim. Mark Hanson and I will continue to lead our mortgage funding and debt funding teams, respectively, and coordinate our dealer relations and outreach efforts with Grace's team. Peter Mahoney will continue to lead our equity investor relations team, with particular focus on improving our financial disclosures. This organizational adjustment exemplifies our continued focus on integrating our communications with you so that our fixed-income execution and investor outreach activities ensure that we continue to offer securities of the right size and maturity.

Thank you for your continued support and interest.

Sincerely,



John Radwanski

IN THIS ISSUE

- Freddie Mac's tender offers for expired callable notes
- Data Bank

Freddie Mac's tender offers for expired callable notes

In an effort to support the interests of our callable notes investors, we have conducted periodic tender offers for our medium-term notes (MTNs) with expired call options. By providing an additional bid for these securities, often at a spread tighter than other secondary market participants may readily show, Freddie Mac's tender offers enhance the liquidity and valuation of notes with expired call options. The tender offers provide investors with a transparent and facile means to sell these expired callable notes, which have effectively become non-callable notes ("bullets"). We also provide a wide array of debt products into which investors may choose to reinvest the proceeds from the sale of a tendered note. For example, investors may wish to enhance liquidity by purchasing a similar duration Reference Notes® (non-callable) security or pick up yield by purchasing a new callable note.

The origin of expired callable notes

Market interest rates have trended higher since mid-2003. Consequently, the European-style ("one-time") call options on some of our callable notes have expired worthless to the issuer, transforming those callable notes into bullets. After peaking in 2003, our call redemptions have decreased steadily the last few years (Exhibit 1). Thus, the number of expired callable notes in our debt portfolio has increased markedly (Exhibit 2).

Exhibit 1 – Call redemptions have declined amid higher interest rates

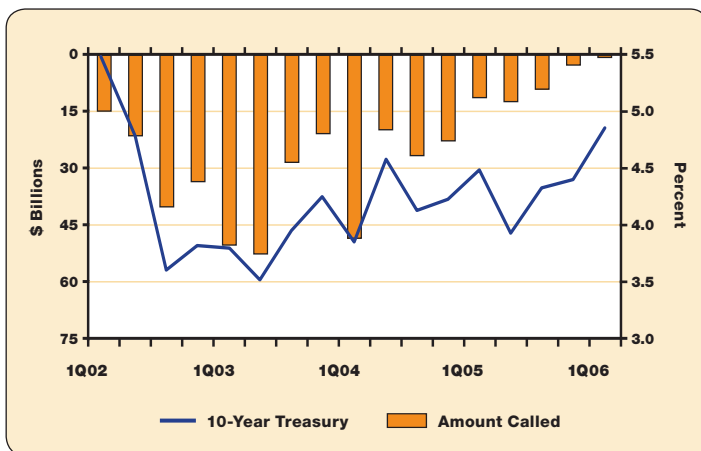
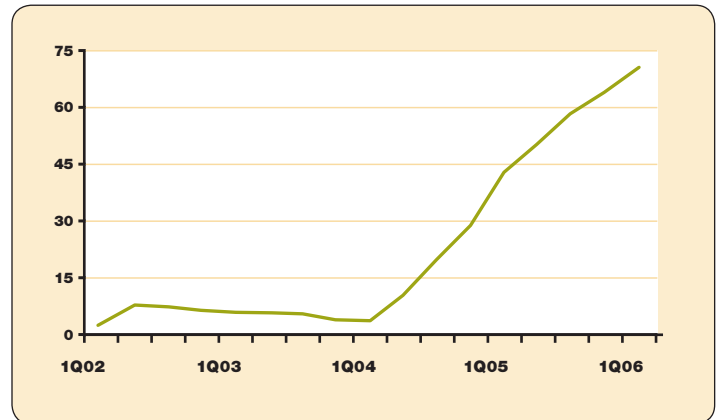


Exhibit 2 – Outstanding callable securities with expired options have increased



When we do not exercise our option to call a note with a European-style call, an investor may be left holding a bullet trading at a discount to par — a security with very different characteristics than it featured at the time of initial issuance. The expired callable is now a bullet, but it typically lacks the liquidity of Freddie Mac's Reference Notes bullets, which feature larger outstanding balances and a more transparent secondary market with the support of a broad dealer group. In addition, many investors purchase callable debt for the higher yields it offers relative to comparable duration bullet debt. However, as interest rates rise and a note's call option moves out-of-the-money, the note's duration extends and its excess return relative to bullets will decrease or disappear entirely.

The benefits of a tender for expired callable notes

A tender offer from Freddie Mac aids investors by enhancing the liquidity and valuation of their expired callable notes. The tender offer is a standing offer to purchase at a set spread and over a specified period of time any and all securities from a defined list of CUSIPs. The tender offer improves liquidity by providing an additional secondary market bid for these notes. Moreover, we often choose spreads that are usually tighter than customary secondary market bids for expired callable notes, thus improving valuations and signaling to the market that these securities should be trading at lower yields (higher prices).

The tender offer process

In a tender offer, we specify a list of securities with expired or nearly expired call options. We offer to purchase any and all of each such security at a fixed spread relative to a comparable maturity Reference Notes security, providing a transparent and liquid valuation point. We customarily designate a small syndicate of investment banks and agency debt dealers to broker the tender offers and announce our offer to purchase the designated expired callable notes via a press release and a posting on the Freddie Mac debt securities Web site (www.FreddieMac.com/debt). In order to comply with SEC guidance for investment grade tender offers, we conduct the tender offer over at least five business days, during which time the investor can call during normal business hours and sell the securities back to Freddie Mac through one of the designated syndicate dealers. While each tender trade is consummated individually during the tender period, we issue a press release with a summary of the results at the conclusion of the tender period.

To date, we have conducted two public tender offers for expired callable notes, repurchasing a total of \$4.2 billion. In our most recent tender in March 2005, we repurchased almost \$2.4 billion from a designated list of ten expired callable notes with an outstanding balance of almost \$10 billion (Table 1). Holders of the targeted securities could tender via five designated agency debt dealers anytime between 9 a.m. and 5 p.m. EST from Monday, March 14 to Friday, March 18.

Conclusion

In summary, our tenders for expired callable notes enhance the securities' liquidity and valuation. The tender offers provide investors with a transparent and facile means to sell these expired callable notes and offer the opportunity to reinvest the proceeds in Freddie Mac's wide array of primary and secondary market debt offerings (see www.FreddieMac.com/debt). Looking forward, we may conduct tender offerings again in the future as the amount of expired callable notes increases in the current environment of rising interest rates. ■

Table 1

CUSIP	Title of Security	Principal Amount Outstanding before Tender Offer	Reference Security	Fixed Spread (bps)	Principal Amount Tendered
3128X2LD5	2.625% MTN due July 21, 2006	\$ 275,000,000	5.50% Reference Notes due July 15, 2006	3.7	\$ 33,140,000
3128X2AH8	3.00% Debt Security due November 17, 2006	473,835,000	2.875% Reference Notes due December 15, 2006	0.6	36,530,000
3128X2DS1	3.00% Debt Security due December 15, 2006	969,175,000	2.875% Reference Notes due December 15, 2006	3.0	125,475,000
3128X2LS2	3.05% Debt Security due January 19, 2007	1,000,000,000	2.875% Reference Notes due December 15, 2006	6.5	195,146,000
3128X2TX3	2.75% MTN due February 9, 2007	250,000,000	2.375% Reference Notes due February 15, 2007	2.6	0
3128X2WN1	2.85% Debt Security due February 23, 2007	2,200,000,000	2.375% Reference Notes due February 15, 2007	2.5	1,134,207,000
3128X2S63	2.43% MTN due March 23, 2007	500,000,000	3.75% Reference Notes due April 15, 2007	1.0	0
3128X22W4	2.40% Debt Security due March 29, 2007	2,000,000,000	3.75% Reference Notes due April 15, 2007	0.3	403,107,000
3128X2PA7	3.00% MTN due July 27, 2007	300,000,000	3.75% Reference Notes due April 15, 2007	9.8	62,602,000
3128X0L31	3.25% Debt Security due February 25, 2008	2,000,000,000	3.625% Reference Notes due February 15, 2008	2.5	405,633,000
Total		\$ 9,968,010,000			\$ 2,395,840,000

Freddie Mac Funding Summary

2006 Quarter 1

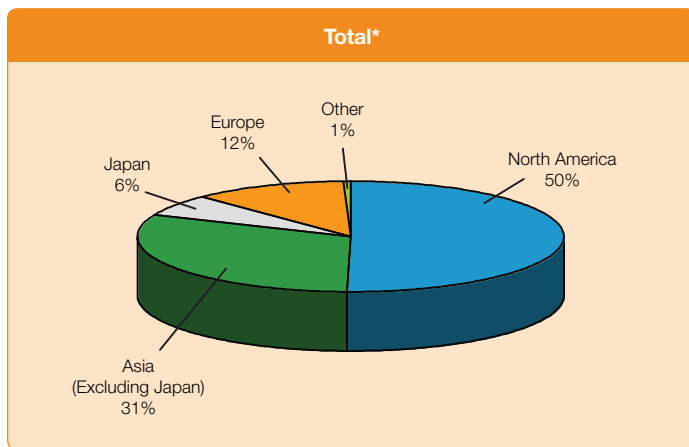
Estimated issuance, redemption and balances - unaudited (1, 2, 3)

	Outstanding 12/31/05	Gross Issuance (4)	Matured	Called	Repurchased (4)	Net Issuance (5)	Outstanding 3/31/06
Reference Bills & Discount Notes	\$ 183.4	195.7	(202.4)	—	—	(6.7)	\$ 176.7
Medium Term Notes							
Global Floating Rate	\$0.0	—	—	—	—	—	\$0.0
Syndicated Callable	22.7	—	—	—	(0.2)	(0.2)	22.5
MTN Callable	250.6	31.5	(7.0)	(0.5)	(2.7)	21.3	271.9
MTN Other	50.4	8.8	(2.0)	—	—	6.8	57.2
FreddieNotes	18.7	0.7	—	(0.2)	—	0.5	19.2
Total Medium Term Notes	\$342.4	41.0	(9.0)	(0.7)	(2.9)	28.4	\$370.8
Reference Notes							
USD Reference Notes	\$212.9	20.0	(14.3)	—	—	5.7	\$218.6
€Reference Notes (6)	29.1	—	(3.5)	—	—	(3.5)	25.6
Total Reference Notes	\$242.0	20.0	(17.8)	—	—	2.2	\$244.2
Subordinated Debt	\$5.9	—	—	—	—	—	\$5.9
Total Debt	\$773.7	256.7	(229.2)	(0.7)	(2.9)	23.9	\$797.5

Disclaimer: (1) All figures are estimates based on Freddie Mac's unaudited internal reports and are subject to change. Totals may not recalculate due to rounding. (2) All figures represent face amounts in USD billions. These figures could differ significantly from proceeds, amortized principal amount and book value figures, particularly for zero-coupon securities. (3) Effective date for inclusion in the reported period is trade date. (4) "Gross Issuance" and "Repurchased" amounts include transactions that may be considered exchanges for financial reporting purposes under generally accepted accounting principles, or GAAP. (5) Represents the sum of the "Gross Issuance", "Matured", "Called" and "Repurchased" columns. (6) The US dollar amounts reflected for non-dollar debt are based on the exchange rate at issuance.

Geographical Distribution

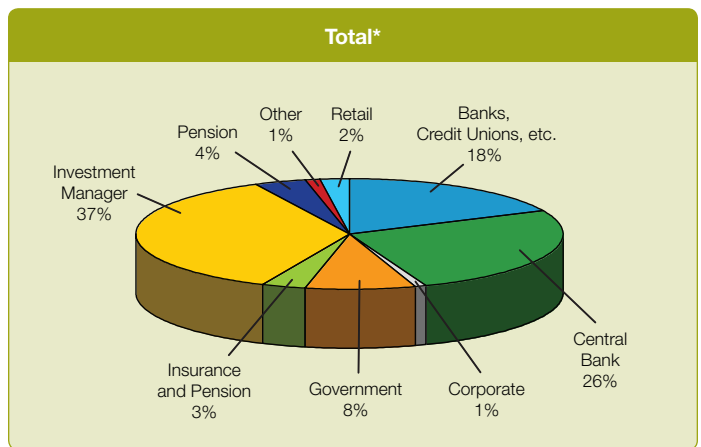
Last 12 Months through March 31, 2006



*Includes exchanged securities' cash portion only.

Investor Type Distribution

Last 12 Months through March 31, 2006



*Includes exchanged securities' cash portion only.

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