



A letter from:

Jerome Lienhard

Senior Vice President, Funding & Investor Relations

Dear Freddie Mac Investor:

Freddie Mac enters 2005 with stronger leadership and greater transparency. Under the direction of our Chairman and CEO Dick Syron, customer focus and transparency are becoming watchwords at Freddie Mac. During our November 1, 2004 market update — the first of several quarterly updates we will provide as we complete our return to timely quarterly financial reporting — we outlined our priorities for the company. One of our highest priorities is to increase integration and efficiency in our business operations. In order to accomplish this goal, we are undergoing a corporate-wide reorganization aimed at creating greater internal alignment and functional accountabilities.

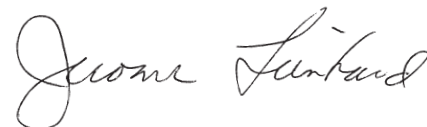
All of our pricing, funding, risk management and capital markets activities now will be consolidated under Patti Cook, EVP of Investments and Capital Markets. Essentially, we've created a one-stop shop for all of our asset selection, funding, risk management and capital deployment decisions. Patti has asked me to add responsibility for our mortgage securities pooling and issuance activities to our debt issuance and outreach efforts, integrating all of our fixed-income market activities, with the goal of expanding our access to global capital and providing the lowest cost of funds to finance housing in America. This is demonstrated by the improved price performance of our Gold PCs. In mid-2003, we implemented measures that would have a sustainable impact on the performance of our mortgage securities, such as diversifying our seller base, monitoring and managing prepayment rates at the loan servicer level, and improved security disclosure.

I am enthusiastic about providing the full-range of our debt and mortgage securities products to the market under one umbrella because it gives us the opportunity to focus our entire team on our investing customers and sharpen our execution of fixed income securities.

Transparency has been a hallmark of our debt funding program since its inception. For 2005, we have further enhanced the transparency of our funding activity by moving up the release dates of our Quarterly Funding Announcement from the beginning of each quarter to a few weeks prior to the start of each quarter. Our QFA builds on our **2005 Reference Notes®** calendar by providing additional details about our expected funding activity for the upcoming quarter. By publishing the QFA before each quarter begins, investors can better anticipate upcoming issuance. We will continue to publish our **Quarterly Funding Summary** for the previously completed quarter, which we now append to our transaction announcements for the months of January, April, July and October 2005. In addition, as a result of our earlier release dates, we started posting monthly funding summaries on our Debt Securities website. These funding summaries provide details about our debt issuances, redemptions, and outstanding balances by product type.

With mortgage assets at historically rich levels, our retained portfolio growth has slowed considerably, reducing our need for net new cash. In this issue of **Reference Point®** we thought it would be useful to provide you with a greater understanding of the factors that drive our debt funding activities. As always, feel free to contact our investor relations team for further information about our products and programs. Thank you for your continued interest in Freddie Mac's full suite of fixed income products.

Happy New Year.



IN THIS ISSUE

- 2005 Global Debt Funding Program
- Data Bank

2005 Global Debt Funding Program

Freddie Mac's Reference Notes® securities (Reference Notes) program is entering its seventh year and has become an important component of global debt capital markets. With frequent offerings of large 2-, 3-, 5-, and 10-year fixed-rate, non-callable debt securities, Reference Notes attract capital from around the globe to fund the market for residential mortgages in the United States. By continually replenishing the supply of residential mortgage funding, we lower the cost of home ownership for Americans.

Throughout its seven-year tenure, we've adapted our Reference Notes program to respond to the changing demands of investors and changes in our own debt funding needs. In 2005, we made further refinements, while retaining an emphasis on the program's original hallmarks — transparency, liquidity, and predictability. Providing liquid securities through transparent and predictable means enables us to fulfill our mission of expanding home ownership in the U.S. We use three primary vehicles to communicate our funding needs to our stakeholders, which combined, places us at the vanguard of high quality frequent borrowers with predictable and transparent issuance standards and practices.

■ **2005 Reference Notes® Calendar**

Provides announcement, pricing and settlement dates for our Reference Notes securities, and announcement and auction dates for our Reference Bills® securities. Additionally, provides the release dates of our *Quarterly Funding Announcement*. All scheduled issuance dates for Reference Notes are now optional and the minimum size for reopenings has been eliminated. While these changes were designed to increase the flexibility of our debt funding program, investors also benefit in two important ways. First, increased flexibility enables Freddie Mac to better match supply with investor demand, especially in difficult market conditions. Second, the calendar offers investors the assurance that Freddie Mac's approach to the market will be disciplined and not opportunistic — allowing prior issues of Reference Notes time to perform before bringing new supply to the market.

■ **Quarterly Funding Announcement**

Builds on our 2005 Reference Notes calendar by providing additional details about our expected funding activity for the upcoming quarter, including anticipated use of optional issuance dates; a projected range for Reference Notes issuance; guidance on expected issuance of syndicated callable notes, global fixed rate notes, and €Reference Notes® securities; expected repurchase activity; and program and product modifications. By publishing the QFA before each quarter begins, investors can better plan their upcoming investment allocations, bringing world-class transparency to Freddie Mac's debt funding activities.

■ **Quarterly Funding Summary**

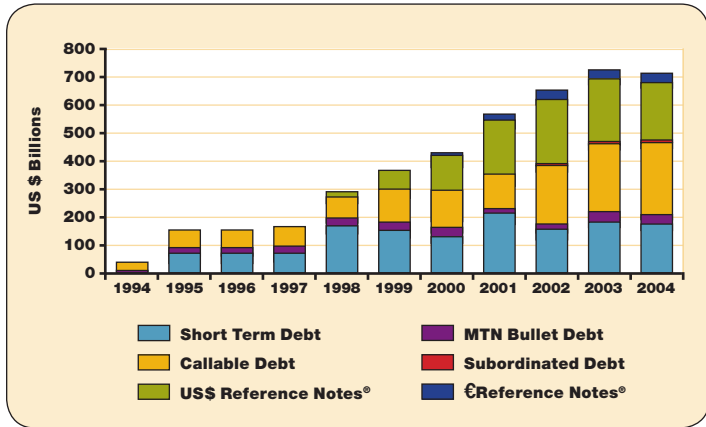
Provides details about our debt issuances, redemptions, and outstanding balances by product type for the previous quarter. The QFS will be appended to our transaction announcements for the months of January, April, July and October. We also post monthly funding summaries on our Debt Securities website (www.FreddieMac.com/debt).

Freddie Mac's Funding Volume & Mix Are a Function of Market Conditions

In order to understand our overall funding needs, it's important to understand what drives our funding decisions. First and foremost, our funding volume is driven by our ability to grow our retained portfolio (see **Exhibit 1**). In the mid-1990s, the rate of growth in our retained portfolio accelerated, prompting us to consider a more structured way to issue debt securities while continuing to attract a broad range of investors. Thus, in 1998 we launched our Reference Notes program, at a time when US Treasury debt supply was shrinking. Today, Reference Notes remain the backbone of our funding program, and are used to fund our investments in fixed-rate assets. To further meet the funding needs of our growing portfolio and to diversify our

investor base, we introduced €Reference Notes® securities (€Reference Notes) in 2000. However, slower growth in our retained portfolio in the last two years has caused the pace of our overall debt issuance to slow down.

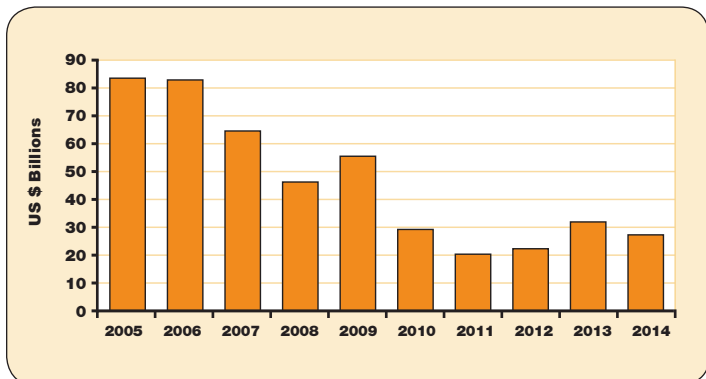
Exhibit 1 – Debt Securities Outstanding



Source: Freddie Mac

As our new funding needs have slowed, the need to refinance maturing debt has become a key driver of our debt issuance (see **Exhibit 2**). Even assuming we experience no growth whatsoever in our retained portfolio in the next two years, we nonetheless need to issue more than \$80 billion per year to replace maturing bullet and callable debt securities. The types of debt products that we issue to replace maturing debt and to raise net new cash will continue to be determined by market conditions, investor interest, and the specific needs of the retained portfolio at that time.

Exhibit 2 – Long-Term Debt Redemptions

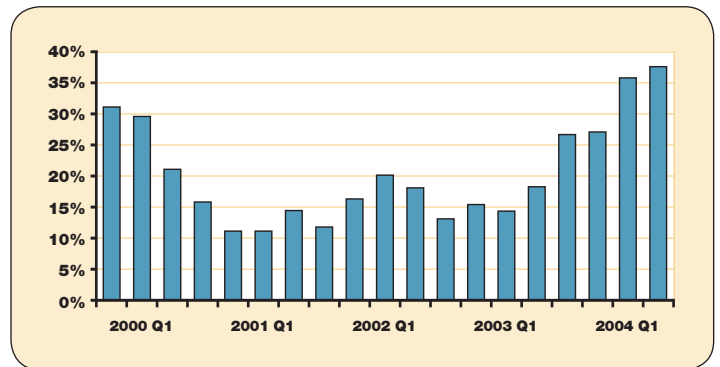


Source: Freddie Mac

Our funding mix also depends on the types of assets we acquire for our retained portfolio. More recently, we have been purchasing a growing amount of adjustable rate

mortgages (ARMs) and other floating rate assets given the high origination volumes of these types of products (see **Exhibit 3**). Further, because these securities are backed by residential mortgages, often with very high concentrations of loans for low-income or underserved borrowers, our purchase of these assets directly fulfills our statutory housing mission. By generating value for American families, we ultimately provide value for our stakeholders. These products currently produce attractive risk-adjusted returns and meet the same internal return-on-equity hurdle rates that we adhere to for 30-year fixed rate mortgages. Although in the near-term the GAAP margin that these assets produce is lower than the GAAP margins we typically would see from 30-year fixed-rate product, the economic returns we receive over the life of the assets make them a good investment.

Exhibit 3 – ARMs Share as a Percentage of Total Mortgage Market Originations



Source: Federal Housing Finance Board

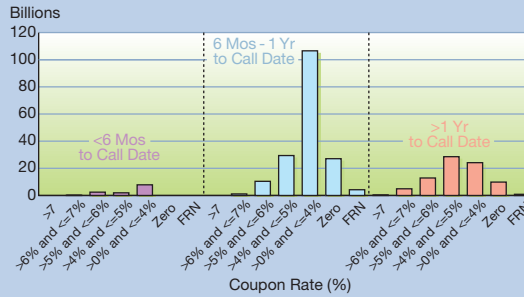
Conclusion

Over the years, Freddie Mac’s mix of debt products has provided flexible funding in response to changes in market conditions and developments within Freddie Mac. Our Reference Notes Calendar and QFA serve to provide investors with our upcoming issuance plans in a transparent and predictable manner while allowing us to maintain the flexibility needed to adjust our funding mix to changing conditions. By investing in Freddie Mac debt securities, investors not only have access to liquid investment grade securities, but also help Freddie Mac expand opportunities for homeownership and affordable rental housing for millions of American families. ■

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

Maturity	4th Qtr 2004 Par Amount Issued (billions)	YTD Par Amount Issued (billions)
< 1 Month (ex. Overnights)	21.65	129.63
1-2 Months	28.67	48.06
2-3 Months	13.55	39.22
3-6 Months	64.86	259.63
6 Months - 1 YR	22.71	128.05
TOTAL	\$151.44	\$604.59

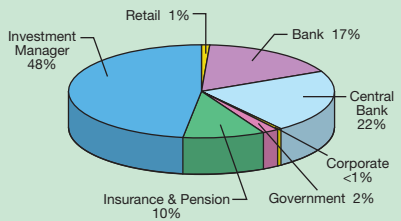
Callable MTNs Outstanding as of December 31, 2004



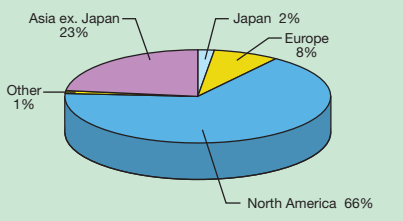
Maturity	Callable MTN O/S (billions)
1 - 3 YRS	74.8
> 3 - 5 YRS	58.0
> 5 - 10 YRS	63.8
> 10 YRS	72.1
TOTAL	\$268.6

12 Months Ended December 31, 2004

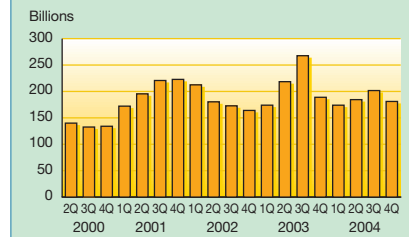
Reference Notes[®] Issuance Investor Distribution (ex. auctions)



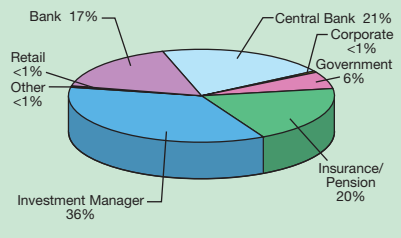
Reference Notes[®] Issuance Geographic Distribution (ex. auctions)



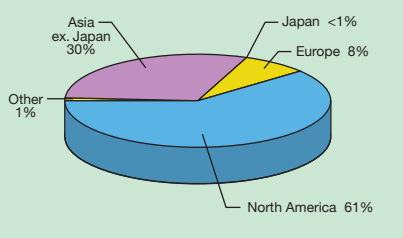
Discount Notes and Reference Bills[®] Outstanding as of December 31, 2004



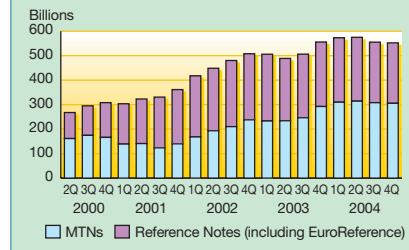
Syndicated MTN Issuance Investor Distribution



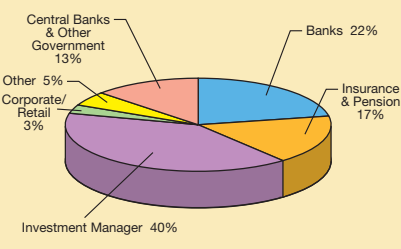
Syndicated MTN Issuance Geographic Distribution



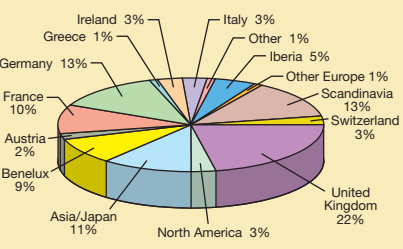
MTNs and Reference Notes[®] Outstanding as of December 31, 2004



€Reference Notes[®] Issuance Investor Distribution



€Reference Notes[®] Geographic Distribution



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

Structure	Coupon Rate	Date Contractual Maturity	ISIN	Amount Outstanding (Euros in blns)
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	3.51
5-Year	3.750	7/15/09	XS0193557138	3.00
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	3.86
10-Year	4.375	1/15/14	XS0184595311	3.57

For More Information

Freddie Mac Investor Research & Communications
1551 Park Run Drive, McLean, Virginia 22102 USA

Grace Sone
Managing Director
(571) 382-5431

Hasan Latif
Director
(571) 382-3152

Sulaiman Ghaussy
Senior Financial Analyst
(571) 382-5847

Kathryn Westcott
Analyst
(571) 382-3842

Jessica Snow
Analyst
(571) 382-4988

No offer or solicitation of securities. This document contains information related to, or referenced in the offering documentation for, certain Freddie Mac securities. Freddie Mac securities may not be eligible for offer or sale in certain jurisdictions or to certain persons. This information is provided for your general information only, is current only as of its date and does not constitute an offer to sell or a solicitation of an offer to buy securities. The information does not constitute a sufficient basis for making a decision with respect to purchase and sale of any security. All information regarding or relating to Freddie Mac securities is qualified in its entirety by the relevant offering circular and any related supplements. Investors should review the relevant offering circular and any related supplements before making a decision with respect to the purchase or sale of any security. In addition, before purchasing any security, please consult your legal and financial advisors for information about and analysis of the security, its risks and its suitability as an investment in your particular circumstances.

Freddie Mac obligations. Freddie Mac's securities are obligations of Freddie Mac only. The securities, including any interest or return of discount on the securities, are not guaranteed by and are not debts or obligations of the United States or any federal agency or instrumentality other than Freddie Mac.

No Warranties; Limitation of Liability. Although Freddie Mac attempts to provide reliable, useful information in this document, Freddie Mac does not guarantee that the information is accurate, current or suitable for any particular purpose. Freddie Mac assumes no obligation to update or continue to post the information in this presentation. Opinions and estimates contained in this brochure are those of Freddie Mac currently and are subject to change without notice.

© 2004 by Freddie Mac. Information from this document may be used with proper attribution. Alteration of this document is strictly prohibited.