



A letter from:

John Radwanski

Vice President & Assistant Treasurer, Debt Financing

Dear Freddie Mac Investor:

Freddie Mac is making significant progress in accomplishing our top priorities: serving our mission; increasing market share; streamlining operations and seizing business opportunities; and returning to timely financial reporting. We've made a great deal of progress in renewing and refocusing the company's energies to produce value for stakeholders in the long-term. And we're working hard on emerging legislative issues.

We're also operating in a challenging, more competitive environment, and, with our recent level of portfolio growth having slowed, our funding needs have changed as well. In an environment of lower portfolio growth and reduced funding needs, we have adapted in a fashion that keeps the interests of debt investors foremost in our thinking. We will continue to use innovative tools as a means to issue larger new securities. Our June 10th debt exchange resulted in a bellwether 5-year Reference Notes security totaling \$6.1 billion in size — the largest new issue size since March 2002.

*To keep you apprised of our funding plans and results, we provide details about our debt outstanding, issued, and redeemed by product type on a quarterly and monthly basis. The latest **Quarterly Funding Summary** appears*

on the back page and I encourage you to visit our website where you can download this information. Liquidity, transparency and predictability remain our watchwords, even in an environment of lower overall cash needs.

We recognize that our investors are the key to Freddie Mac's success in fulfilling our housing mission. We have a great franchise and a new management team that is committed to improving the execution of our mission and our business, which will benefit U.S. homeowners and our stakeholders alike. Please call on us if we can provide you more information about our business and our funding programs.

Sincerely,



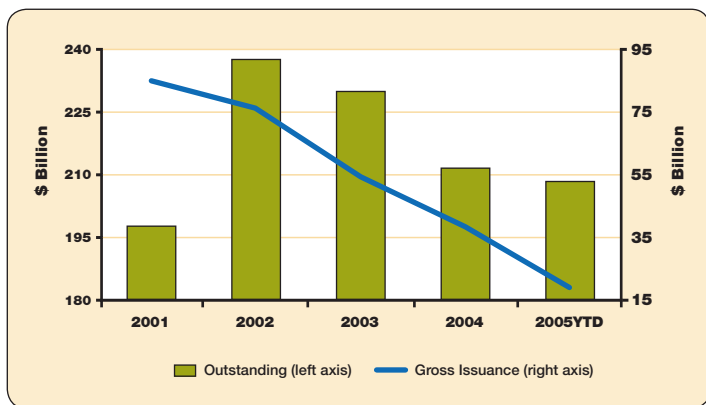
IN THIS ISSUE

- Liquidity Matters
- Data Bank

Liquidity Matters

The supply of agency bullet debt in the market has diminished during the past three years (see Exhibit 1). The reduced pace of new issuance has had the effect of improved valuations of our Reference Notes® securities (“Reference Notes”) versus Treasuries and swaps across the range of our funding curve. While this is good news for many investors, the reduced supply of agency new issues has elicited some market focus on the liquidity of our Reference Notes securities. While our actively traded Reference Notes still benefit from tight bid-ask spreads, the smaller size of new issues may have hindered some investors’ ability to readily execute large orders. In response, we have increased the size of our offerings. Our three-year Reference Notes offering in May was sized at \$4 billion, the first offering in seven months above our minimum \$3 billion new issue size.

Exhibit 1 – Reference Notes® Outstanding & Issuance as of 6/30/2005



Meeting investors’ desire for liquidity amid a slower growth environment for our retained portfolio involves a number of strategic considerations, all of which support an increased supply of Reference Notes securities.

Desire and Opportunity to Refinance Discount Notes with Term Funding

The current tightness in mortgage option-adjusted spreads has temporarily diminished the need for us to provide liquidity in the secondary mortgage market, one of our core statutory purposes. As a result, growth in our retained portfolio has slowed, mitigating the need to hold a large amount of working capital, or discount notes. In addition, the rapidly flattening yield curve provides us an opportunity to replace our short-term discount funding with longer-term securities (to “term-out” our discount notes) at attractive financing levels.

Changing Asset Mix

Over the past year, we have achieved most of the growth in our retained portfolio through purchases of adjustable-rate mortgage (ARM) products rather than traditional fixed-rate products. Our increased participation in ARMs reflects increased production of these types of mortgages. According to the Mortgage Bankers Association, ARMs have recently accounted for nearly half of all new mortgages in terms of dollar volume. For asset-liability management purposes, Reference Notes, in combination with appropriate derivative financial instruments, provide an excellent source of stable, long-term synthetic floating rate funding for adjustable-rate mortgages.

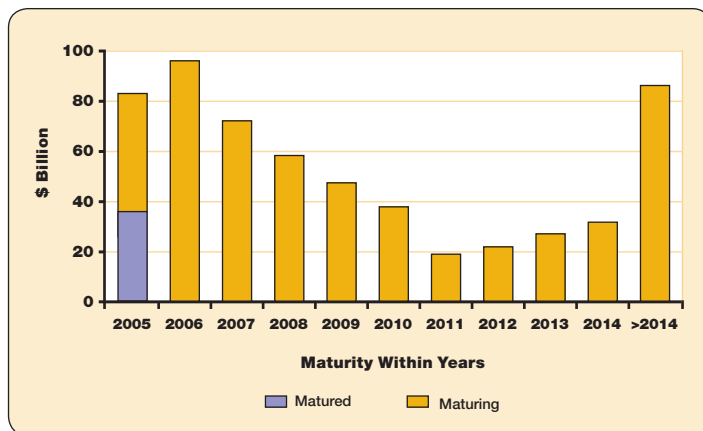
Rising Interest Rate Environment

Implied forward rates reflect market expectations for interest rates to rise. The combination of higher rates and a flatter yield curve usually dampen investor demand for callable debt, which comprises about one-third of our total debt outstanding. We can fill the void created by any decline in callable debt issuance with Reference Notes.

Refinancing of Maturing Debt

Freddie Mac has over \$100 billion of term debt maturing by year-end 2006, assuming no call exercises of outstanding callable securities (see Exhibit 2). Thus, even if our investment portfolio remains at the same level for the next two years, we still have a large need to replace maturing term debt securities. In full-year 2005, we plan to issue between \$40 billion and \$50 billion in Reference Notes, a substantial amount of funds to raise.

Exhibit 2 – Freddie Mac Term Debt Redemptions as of 6/30/05



Liquidity Enhancing Tools

In addition to large debt issuance size, which is necessary for a continuous and active pricing market, Freddie Mac uses several

tools to help keep our on-the-run Reference Notes liquid. These tools include debt exchanges, repurchase operations, re-openings and tender offers for callable notes with expired options. We strive to conduct each of these activities in a transparent manner by announcing the details to the public in advance.

■ **Debt Exchanges**

Like-kind Reference Notes debt exchanges enable us to issue larger volumes of new securities in an environment with low cash needs, while helping to consolidate liquidity in the new Reference Notes issue that will serve as an actively traded, bellwether security. The new security is offered for cash or in exchange for specific CUSIPs of less active, off-the-run securities, enabling a broad range of investors to participate. Typically, domestic investor demand to participate in our exchanges drives the majority of the exchange portion of a given transaction, since the exchange is a tax-neutral transaction for many U.S. investors.

■ **Repurchase Operations**

We conduct debt buybacks primarily for asset-liability management purposes. However, we also conduct buybacks to meet relative value or liquidity enhancement goals for our securities and to manage the net issuance of our debt. A key consideration in executing these operations is to preserve the liquidity of our on-the-run Reference Notes. As with all of our debt programs, we strive to conduct repurchase operations in a transparent and predictable manner.

■ **Re-openings**

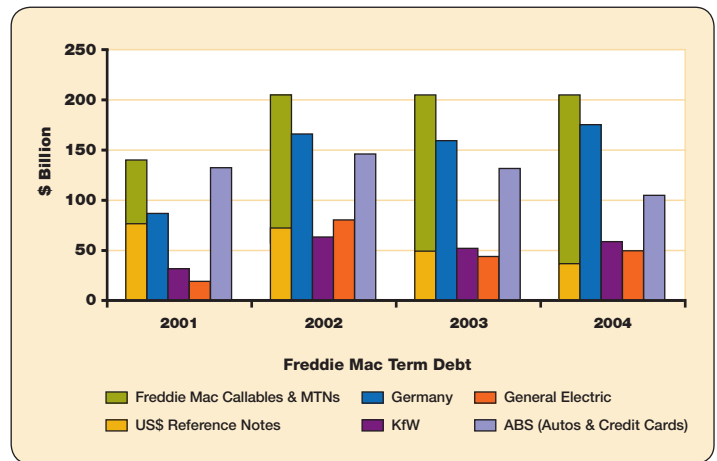
Periodically, Freddie Mac utilizes scheduled Reference Notes offerings to increase the size and liquidity of outstanding Reference Notes in market-priced re-openings. We have used both auctions and dealer syndicates to conduct Reference Notes re-openings.

■ **Tender Offers on Expired Callables**

Tender offers on debt securities with expired or expiring options (or “busted callables”) play an integral role in our asset-liability management strategy while demonstrating our commitment to the performance and liquidity of all our debt products. In declining interest rate environments, callable debt provides a natural hedge for our investment portfolio, enabling us to reduce the liability side of our balance sheet when our mortgage assets are likely to prepay. When the call feature expires without being exercised, the callable security converts to bullet debt, losing its effectiveness for Freddie Mac as a natural hedge and tending to be less liquid

for investors. Our tenders for these expired callables frees up investor capital, which can be reinvested in more liquid Reference Notes.

Exhibit 3 – Large Issuers of Term Debt Securities



Slowing Down, but Still Significant

Although our debt issuance has declined over recent years, we are still one of the largest issuers of term debt in the world (see Exhibit 3). Despite slower growth in our retained portfolio and changing market conditions, we remain committed to issuing liquid securities in a transparent and predictable manner, underscored by our recent debt exchange that resulted in a new bellwether \$6.1 billion 5-year Reference Note security.

In addition to being a large issuer of debt, we aim to be one of the most transparent and predictable. We communicate our funding plans through three vehicles: the annual Reference Notes® calendar, the *Quarterly Funding Announcement* and the *Quarterly Funding Summary*. We also encourage investors to provide us with feedback through direct meetings and other means of contact. Providing liquid securities in a transparent and predictable manner enables us to lower the cost of homeownership in the U.S. and to better fulfill our housing mission.

Although our debt issuance has declined over recent years, we are still one of the largest issuers of term debt in the world.

Freddie Mac Funding Summary 2005 Quarter 2

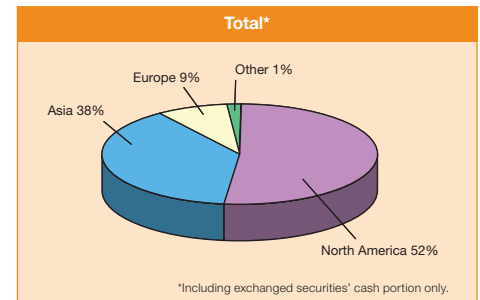
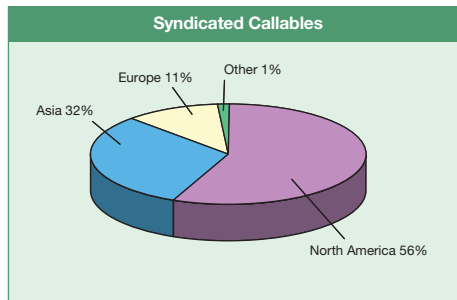
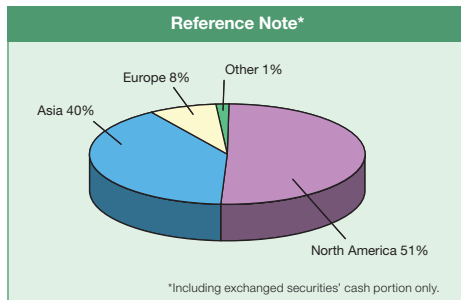
Estimated issuance, redemption and balances - unaudited (1, 2, 3)

	Outstanding 3/31/05	Gross Issuance (4)	Matured	Called	Repurchased (4)	Net Issuance (5)	Outstanding 6/30/05
Reference Bills & Discount Notes	\$186.6	193.2	(190.6)	—	—	2.6	\$189.2
Medium Term Notes							
Global Floating Rate	\$12.0	—	—	—	—	—	\$12.0
Syndicated Callable	31.0	—	—	(2.0)	(0.2)	(2.2)	28.8
MTN Callable	213.7	16.5	(0.8)	(10.2)	(1.7)	3.8	217.5
MTN Other	19.9	13.2	(1.0)	—	—	12.2	32.1
FreddieNotes	17.7	0.6	—	(0.3)	—	0.2	17.9
Total Medium Term Notes	\$294.2	30.4	(1.8)	(12.5)	(1.9)	14.1	\$308.3
Reference Notes							
USD Reference Notes	\$207.4	10.2	(7.4)	—	(3.1)	(0.3)	\$207.1
€Reference Notes (6)	32.9	—	(3.8)	—	—	(3.8)	29.1
Total Reference Notes	\$240.3	10.2	(11.2)	—	(3.1)	(4.1)	\$236.1
Subordinated Debt	\$5.9	—	—	—	—	—	\$5.9
Total Debt	\$727.0	233.7	(203.6)	(12.5)	(5.0)	12.6	\$739.6

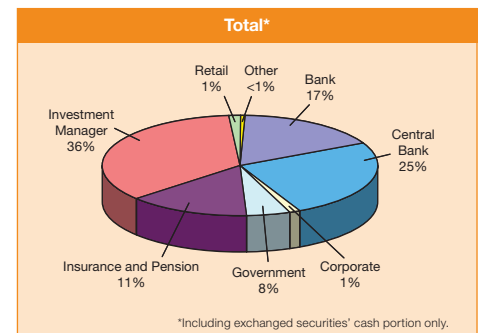
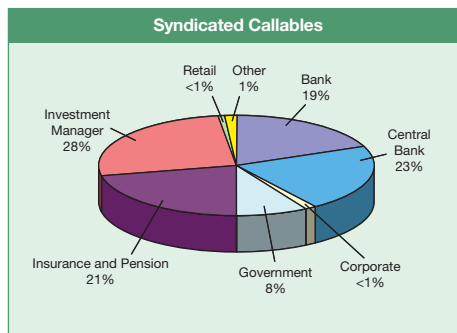
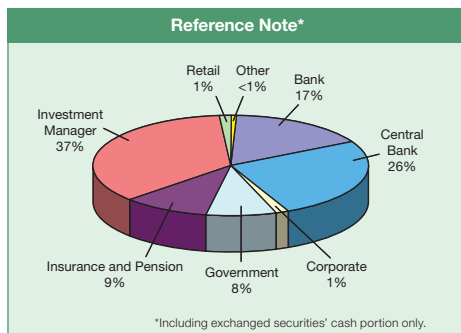
Disclaimer:

- All figures are estimates based on Freddie Mac's unaudited internal reports and are subject to change. Totals may not recalculate due to rounding.
- 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.
- Effective date for inclusion in the reported period is trade date.
- "Gross Issuance" and "Repurchased" amounts include transactions that may be considered exchanges for financial reporting purposes under generally accepted accounting principles, or GAAP.
- Represents the sum of the "Gross Issuance", "Matured", "Called" and "Repurchased" columns.
- The US dollar amounts reflected for non-dollar debt are based on the exchange rate at issuance.

Geographical Distribution Last 12 Months through June 30, 2005



Investor Type Distribution Last 12 Months through June 30, 2005



FOR MORE INFORMATION

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

Grace Sone, Managing Director (571) 382-5431
Robin Phillips, Director (571) 382-4393

Sulaiman Ghaussy, Senior Financial Analyst (571) 382-5847
Kathryn Westcott, Analyst (571) 382-3842

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. The examples set forth above are for illustrative purposes only. Opinions contained in this document are those of Freddie Mac currently and are subject to change without notice.

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.