



A letter from:

John Radwanski

Vice President & Assistant Treasurer, Debt Funding

Dear Freddie Mac Investor:

The first half of 2007 was a very challenging period in the U.S. housing and mortgage markets—home prices declined, mortgage interest rates increased and the subprime market faced serious problems. Despite this difficult environment, Freddie Mac made significant progress in several areas during the first six months of the year. Most notably—we returned to quarterly financial reporting for the first time in five years with the release of our first quarter 2007 financial results. Additionally, we announced that we expect to release our 2007 annual report within 60 days of year end, and we continued to make measurable progress on our financial remediation program.

We also initiated our preferred for common stock swap under our \$1 billion authorization—buying back \$750 million in common shares and issuing \$500 million in preferred stock through the end of June.

Our guarantee business grew at an annualized rate of approximately 15 percent through May—in large part by taking advantage of the shift in mortgage originations back towards long-term fixed rate mortgages. This has allowed us to regain some market share from the private label market. We have been able to achieve this growth while maintaining a disciplined approach in underwriting the credit risk we take on, which has helped our aggregate credit statistics, such as delinquencies, to stay lower than the market as a whole.

The problems in the subprime market have garnered a lot of attention since the beginning of the year. It is important to point out that Freddie Mac has basically no subprime exposure in our guarantee portfolio. In our retained portfolio we hold approximately \$124 billion of non-agency mortgage-related securities that are backed by subprime mortgages. Almost all of these securities are AAA rated and have significant credit enhancement based on their structure. As a result, Freddie Mac's exposure in subprime is relatively low. Nevertheless, we

have taken steps to assist the market with the subprime issue. In February, we announced that we would no longer buy subprime mortgages that have a high likelihood of excessive payment shock and possible foreclosure. We committed to work with lenders to develop subprime products and underwrite processes that are more consumer-friendly. In April, we announced that we would purchase \$20 billion of these products—fixed-rate and hybrid ARM products—that are being developed to limit payment shock and provide lenders with more and safer choices to offer subprime borrowers. Our new subprime products will be available initially as negotiated terms of business through a very limited group of lenders with whom we are actively engaged on this initiative.

It is also important to remember that some borrowers currently in the subprime market might qualify for our existing offerings—especially our Home Possible® Mortgages which offer financing options for low- and moderate-income borrowers. We also remain committed to continue our efforts in the areas of homebuyer education and consumer awareness to promote options for borrowers in danger of foreclosure. All of these efforts are explored in greater detail in this issue of Reference Point®.

We would not be able to provide initiatives such as these without your continued interest in our funding programs. As always, thank you for your support.

Sincerely,



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Freddie Mac's Subprime Initiative

Hardly a day goes by without another headline regarding the challenges facing the subprime market. The debates about what and who caused the problems will go on long after the problems have been addressed. What we know for sure is that the combination of subprime products with risk layering, a weak house price environment and higher mortgage rates have produced a significant rise in the risk of borrower foreclosures and investor losses. These are the problems that need to be addressed.

Freddie Mac announced that we are tightening the underwriting standards we require for short-term hybrid ARM mortgages that back the bonds in our investment portfolio.

Earlier this year, Freddie Mac announced that we are tightening the underwriting standards we require for short-term hybrid ARM mortgages that back the bonds in our investment portfolio. Specifically, Freddie Mac announced we are:

- Changing the qualifying standards to be based on fully indexed and fully amortizing rates
- Eliminating the use of no income, no asset documentation processes in subprime mortgages and significantly limiting the use of stated income processes

In addition, Freddie Mac committed to work with lenders to develop subprime products and underwriting processes that were more consumer-friendly. In April, we committed \$20 billion to support this effort. We are aggressively working to finalize the details behind our approach, consistent with our tradition of responsible leadership in the secondary mortgage market.

Many Subprime Borrowers May Qualify for Existing Freddie Mac Products

Before discussing our new subprime offerings, we want to remind you that many borrowers currently in the subprime market might qualify for our existing offerings. In the last few years, we've greatly expanded the breadth and depth of Freddie Mac's set of offerings, most notably our Home Possible[®] Mortgages, which continue to offer stable home financing options for low- and moderate-income borrowers. In addition to Home Possible, many offerings available through Loan Prospector[®], including options for borrowers with past credit challenges, may offer opportunities for certain subprime borrowers. Freddie Mac's goal is for every borrower to be put into the best product for which they qualify.

Developing More Consumer-Friendly Subprime Products

We are currently finalizing our new subprime fixed-rate and hybrid ARM mortgages. We expect to offer:

- Both 30-year and 40-year fixed-rate mortgages
- Subprime ARMs that will have longer fixed-rate terms, will have reduced adjustable-rate margins and will be underwritten at the fully indexed and fully amortizing rate
- Except in limited cases, mortgages where income and assets will be fully documented
- A bulk sale path option using an all-in cash bid

Initially, this offering will be limited to owner-occupied homes. Our efforts are geared towards enhancing our understanding of a borrower's capacity to repay the mortgage and reducing the payment shock that subprime borrowers face at reset. Both of these issues are part of the source of today's problems.

New Products Available Initially Through Limited Group

These new subprime products will be available initially as negotiated terms of business through a very limited group of lenders with whom we are already engaged. We have already begun to take delivery on our new offerings. While we are anxious to offer these mortgages to a broader set of our customers, we recognize that these are somewhat untested waters for us. Freddie Mac intends to act prudently to ensure that the offerings we develop will work to address the problem and not be the source of future issues. We intend to monitor these products before considering future expansion to additional lenders.

Preserving the Dream of Homeownership

Finally, we remain committed to working with the industry to develop solutions to increase the likelihood of a successful and sustainable home ownership experience for homebuyers in the United States. To this end, we are committed to:

- A substantial, ongoing investment in homebuyer education initiatives with lenders and other industry participants that continues to generate positive results in helping borrowers make good mortgage choices. Our Don't Borrow Trouble anti-predatory lending consumer awareness campaign and our multilingual credit education initiative, CreditSmart®, have reached hundreds of thousands of consumers through our lender customers, credit counselors and consumer-based organizations.
- Our servicing requirements for loan modifications, forbearance, and other options to offer possible solutions for many borrowers having difficulty making their current mortgage payments. Freddie Mac servicers assist over 40,000 borrowers with prime mortgages each year with workout options that help these borrowers keep their homes.

Freddie Mac intends to act prudently to ensure that the offerings we develop will work to address the problem and not be the source of future issues.

- Ongoing work with servicers of Freddie Mac-owned mortgages including early, high-touch contact with borrowers in danger of foreclosure, while at the same time developing broad-based consumer awareness initiatives that promote options to avoid foreclosure. Our sponsorship of consumer-based avoiding foreclosure public service announcements with NeighborWorks® America, the Homeownership Preservation Foundation and the Ad Council, set to launch this summer, further demonstrates our ongoing commitment to help borrowers avoid foreclosure.

Helping this market transition into a more viable, stable source of financing is a desirable policy objective, and Freddie Mac remains committed to creating opportunities for safe, sustainable homeownership for America's families.

Freddie Mac Funding Summary

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

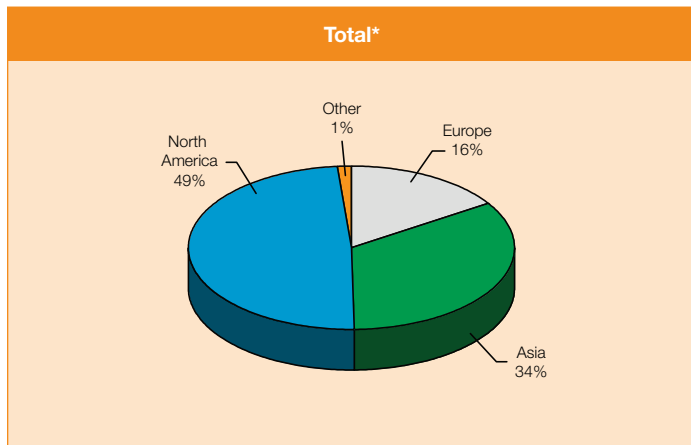
2007 Quarter 2

	Outstanding 3/31/2007	Gross Issuance (4)	Matured	Called/Puts	Repurchased (4)	Callable with Expired Options	Net Issuance (5)	Outstanding 6/30/2007
Reference Bills & Discount Notes	\$ 160.0	128.0	(126.3)	—	—	—	1.7	\$ 161.7
Medium Term Notes								
Global Floating Rate	\$0.0	—	—	—	—	—	—	\$0.0
Syndicated Callable	2.0	—	—	—	—	—	—	2.0
MTN Callable	221.1	32.0	(3.4)	(6.5)	(2.6)	(13.7)	19.5	226.9
Callables with Expired Options	74.7	—	(6.6)	(10.6)	(0.2)	13.7	(17.3)	71.0
MTN Other	55.5	7.5	(13.7)	—	—	—	(6.2)	49.3
FreddieNotes	21.3	0.5	—	(0.1)	—	—	0.4	21.7
Total Medium Term Notes	\$ 374.6	40.0	(23.6)	(17.2)	(2.8)	—	(3.6)	\$ 370.9
Reference Notes								
USD Reference Notes	\$ 233.2	12.0	(7.0)	—	—	—	5.0	\$ 238.2
€Reference Notes (6)	16.9	—	—	—	(0.9)	—	(0.9)	16.0
Total Reference Notes	\$ 250.2	12.0	(7.0)	—	(0.9)	—	(4.1)	\$ 254.2
Subordinated Debt	\$5.5	—	—	—	—	—	—	\$ 5.5
Total Debt	\$ 790.3	180.0	(156.9)	(17.2)	(3.7)	—	2.1	\$ 792.4

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

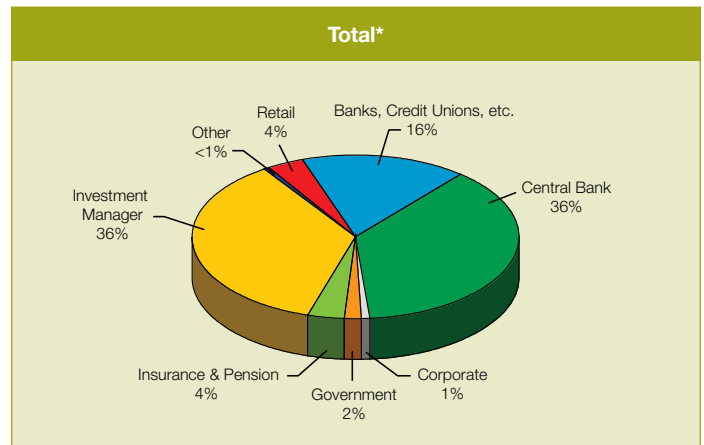
Last 12 Months through June 30, 2007



*Includes exchanged securities' cash portion only.

Investor Type Distribution

Last 12 Months through June 30, 2007



*Includes exchanged securities' cash portion only.

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