



**Supplement dated August 5, 2004 to
Information Statement dated February 27, 2004**

RECENT EVENTS

Management

Freddie Mac announced today that Eugene M. McQuade has been appointed president and chief operating officer, effective September 1, 2004. The Board of Directors of Freddie Mac also plans to nominate McQuade for election as a member of the Board at Freddie Mac's annual meeting in November. McQuade succeeds Paul T. Peterson as chief operating officer. Peterson will remain with the company as a senior advisor to ensure an orderly transition after which he intends to retire.

McQuade, 55, who will report to Chairman and CEO Richard F. Syron, most recently served as president of Bank of America Corporation. He previously had been president and chief operating officer at FleetBoston Financial Corp. before helping to bring about the April 1, 2004 merger between that company and Bank of America. McQuade joined Fleet in 1992 and became chief financial officer in 1993. He was elevated to vice chairman in 1997 and became president and chief operating officer in 2002.

"We have made good progress at Freddie Mac so far this year in improving our financial reporting and systems and in strengthening our corporate governance, but we are not finished," Syron said.

"There is also much more we can – and will – do to meet our housing mission. Gene McQuade and Patti Cook, who joined Freddie Mac last week as executive vice president of investments, are key people on my team responsible for moving this forward. Their job is to ensure we back up our words with deeds."

"To fulfill our mission both today and for the long term, we need to drive continually for the highest standards of excellence," Syron continued. "I have asked Gene – an experienced executive with a thirty-year track record of success, demonstrated expertise in financial services and the capital markets, superb leadership skills and a strong belief in our mission – to bring operational excellence to everything we do. Gene has demonstrated extraordinary breadth over many years of management, not only leading key business functions but also operating as chief financial officer of a major financial services company. I look forward to having him join our team."

McQuade said, “I am delighted to join Freddie Mac, a leading financial institution with an important public mission. My goal is to partner with Dick, the management team and the Board to ensure that we execute efficiently and effectively to deliver value to homeowners and shareholders. I look forward to serving under Dick’s leadership and helping guide Freddie Mac into the future.”

Syron said, “Freddie Mac is grateful to Paul Peterson for his 15 years of service. He has served this company in a wide range of positions – including helping start our retained portfolio, guiding our mortgage servicing and Single Family operations, and serving as chief operating officer for the past year. In his role as executive vice president of the Single Family group, he helped to maintain the company’s leading edge in that business. Most recently Paul provided important leadership during what has been a particularly challenging time for Freddie Mac. He leaves his position as chief operating officer at a time when Freddie Mac’s business is strong. I am pleased he has agreed to remain with the company as a senior adviser so that we may continue to benefit from his insights and experience.”

Peterson said, “After 15 years and many successes, it is time for me to begin preparing to move on to other activities and interests that I have long wanted to pursue. I especially want to thank all of the employees at Freddie Mac who have helped us achieve so much. Over the past 15 years we have helped more than 33 million American families finance their homes. We’ve lowered mortgage rates, provided stability for the housing markets, eliminated regional disparities, created numerous types of new mortgage products and helped innovate new technologies to speed and simplify the mortgage process for our customers and for homebuyers. This is a very special company and I’m honored to have served here. I look forward to watching and cheering for Freddie Mac’s future successes.”

The hiring of McQuade represents the latest in a series of senior management changes led by Syron since he joined Freddie Mac in January. The company has added a new executive vice president of investments, a new general counsel, a new chief of staff and a general auditor, in addition to the hiring of McQuade.

A native of New York City, McQuade joined Fleet Financial Group in 1992. There he rapidly developed a reputation as a leader and a problem solver who helped guide one of the nation’s largest and most progressive financial companies through a period of sustained growth. Before that he had been the executive vice president and controller at Manufacturers Hanover Corp., a predecessor of J.P. Morgan Chase. McQuade began his career at KPMG Peat Marwick in New York and is a certified public accountant. He is a graduate of St. Bonaventure University with a degree in Accounting.

Freddie Mac has entered into an employment agreement with McQuade, which provides for his employment as president and chief operating officer of Freddie Mac for an initial term of three years, subject to automatic extension for successive one-year periods unless either party gives notice that such extension shall not occur. Under this agreement, the Board of Directors will also nominate McQuade for election as a member of the Board. The Office of Federal Housing Enterprise Oversight has reviewed the terms of this agreement and has approved the termination benefits it provides.

The terms of his employment agreement provide McQuade with the following during his term of employment with Freddie Mac:

- An annual base salary of \$900,000, which amount may be increased in the discretion of the Compensation and Human Resources Committee of the Board of Directors;
- A signing bonus of \$2,000,000 (however, if McQuade resigns for other than good reason (as defined in the employment agreement) or is terminated for cause (as defined in the employment agreement) during the initial three year term of his agreement, he is required to repay Freddie Mac an amount equal to \$2,000,000 multiplied by a fraction, the numerator of which is the number of days remaining in the initial three year term of his employment agreement and the denominator of which is 1,095);
- The opportunity to earn an annual cash bonus targeted at 100% of his base salary, subject to a maximum of 200% of his base salary, with a guaranteed minimum annual bonus in 2004 of \$400,000;
- An initial equity award of 92,650 restricted stock units related to common stock, vesting in three equal annual installments beginning on the first anniversary of the date of grant, unless the Compensation and Human Resources Committee determines otherwise as described below;
- During each year of the term of the employment agreement beginning in calendar year 2005, an annual equity award with an aggregate value on the date of grant of \$6,000,000, of which at least 50% will be in the form of restricted stock units and the rest will be in the form of stock options. The Compensation and Human Resources Committee may in its discretion award a higher percentage of restricted stock units. The restricted stock units will vest on the fourth anniversary of the date of grant, and the options will vest in four equal annual installments beginning on the first anniversary of the date of grant, unless the Compensation and Human Resources Committee determines otherwise as described below;
- Reimbursement of reasonable relocation expenses and participation in (i) all other incentive and other compensation programs generally available to senior executives, (ii) executive and employee benefit plans or programs at a level commensurate with his position and duties with Freddie Mac, and (iii) all special benefit or perquisite programs generally available from time to time to Freddie Mac's Chief Executive Officer (CEO), all on the terms and conditions then prevailing under each such program; and
- At Freddie Mac's cost, term life insurance on the life of McQuade for the benefit of his beneficiaries with a face amount of \$7,000,000, which will be converted to a fully paid-up permanent life insurance policy with a face amount of \$2,800,000 on the later to occur of the termination of his employment with Freddie Mac and his turning 60, if McQuade remains employed by Freddie Mac through both the scheduled termination date of the employment agreement and his turning 60.

Freddie Mac's Compensation and Human Resources Committee, in accordance with the terms of Freddie Mac's stock compensation plan, will determine the exercise price of the stock options granted pursuant to the employment agreement. The vesting of McQuade's initial and annual equity-based compensation is subject to his continued employment with Freddie Mac. Freddie Mac's Compensation and Human Resources Committee in its discretion may accelerate the vesting of the restricted stock units or stock options or provide for an accelerated vesting schedule.

Upon a change in control (as that term is defined in the employment agreement), any equity award granted to McQuade at least twelve months prior to the change in control will immediately vest. Vested restricted stock units will be paid out immediately and vested options will remain exercisable until the scheduled expiration date applicable to the options. The initial equity award or any annual equity awards made less than twelve months prior to the change in control each will be cancelled in consideration of the payment by Freddie Mac to McQuade of \$6,000,000 in cash for each cancelled equity award.

McQuade may terminate his employment agreement for good reason if, among other things, any one or more of the following occurs without his written consent:

- A reduction in his then current base salary or target or maximum annual bonus opportunity;
- A material diminution or change in his duties or responsibilities;
- A change in the reporting structure so that he reports to any person or entity other than the CEO of Freddie Mac or the Board of Directors;
- Someone other than McQuade is appointed to succeed Syron as CEO of Freddie Mac, except for the appointment of an interim CEO for a period not to exceed six (6) months;
- McQuade is not appointed to succeed Syron as CEO by September 1, 2007;
- McQuade is not nominated by the Board of Directors for election to the Board of Directors or, if nominated, is not elected to the Board, at the next annual meeting; or
- Freddie Mac elects not to renew the term of the agreement at any time prior to December 31, 2014.

Subject to McQuade's execution of a general release and waiver, in the event his employment is terminated by him for good reason or by Freddie Mac without cause (as those terms are defined in the employment agreement):

- Freddie Mac will pay McQuade any accrued and unpaid base salary as well as any earned but unpaid bonus amounts from the most recently completed calendar year of Freddie Mac;

- Freddie Mac will pay McQuade a lump sum cash payment equal to the base salary and target bonuses that would have been paid to him for the longer of (a) one year and (b) the remaining term of his employment agreement (the “Severance Period”);
- Freddie Mac will provide McQuade and his beneficiaries with continued coverage during the Severance Period under Freddie Mac’s medical, dental and other similar benefit plans in which they participated prior to the termination of his employment;
- If McQuade is not yet entitled to the “Restoration Benefit” under Freddie Mac’s non-qualified Supplemental Executive Retirement Plan (SERP) (as that benefit is defined in the plan) solely because he is not yet vested under Freddie Mac’s tax-qualified pension plan at the time of such termination, Freddie Mac will pay McQuade the cash equivalent of the benefit that would have been payable under the SERP as of the date of termination without regard to the vesting requirement, and he will be entitled to the Make Up Contribution (as defined in the SERP) in accordance with the terms of the SERP;
- All restricted stock units awarded to McQuade at least twelve months prior to the termination of his employment will immediately vest and be paid out;
- All options granted to McQuade at least twelve months prior to the termination will become immediately exercisable until the earlier to occur of (i) three (3) years following the termination and (ii) the scheduled expiration date applicable to the options; and
- The initial equity award or any annual equity awards made less than twelve months prior to the termination will be cancelled in consideration of the payment by Freddie Mac to McQuade of \$6,000,000 in cash for each cancelled equity award.

However, if McQuade resigns because he is not appointed to succeed Syron as CEO by September 1, 2007 or he otherwise resigns for good reason during 2007 because Syron ceases to be CEO and someone other than McQuade is appointed as his successor (other than an interim CEO as described above), then awards issued to McQuade in 2007 will not be subject to the accelerated vesting provisions described in the fifth, sixth and seventh bullets immediately above. In addition, if the termination is due to Freddie Mac’s decision not to renew the employment agreement, McQuade will be entitled to an additional year’s service credit with respect to his unvested equity awards in lieu of the accelerated vesting provisions described immediately above.

In the event of termination of Mr. McQuade’s employment prior to the scheduled termination date due to disability or death:

- Freddie Mac will pay his base salary through the end of the month in which termination of employment occurs;

- Freddie Mac will pay any earned but unpaid bonus amounts from the most recently completed calendar year, plus a prorated percentage of McQuade's target bonus for the calendar year in which employment termination occurs;
- All restricted stock units awarded to McQuade will immediately vest and be paid out;
- All options granted will become immediately exercisable, and remain exercisable: (i) in the event termination occurs as a result of death, until the earlier to occur of (a) the third anniversary of the employment termination, or (b) the scheduled expiration date applicable to the options, and (ii) in the event termination occurs as a result of disability, until the scheduled expiration date applicable to the options; and
- In the event of termination due to disability, Freddie Mac will provide long-term disability benefits equal to 70% of McQuade's base salary during the period beginning on the first day of the month that immediately follows the month in which the termination occurred through the earlier of the scheduled termination date of the employment agreement or the date he no longer has a disability.

In the event of termination of his employment by Freddie Mac for cause, Freddie Mac will pay McQuade any earned but unpaid base salary through the date of termination and any earned but unpaid bonus amounts from the most recently completed calendar year. McQuade will not be entitled to any portion of his bonus in the year in which employment termination occurs and all unvested equity awards will be immediately cancelled.

McQuade is subject to non-competition and non-solicitation of employees restrictions following any termination of employment for periods of two years and one year, respectively, following such termination. In the event that McQuade resigns for good reason or is terminated by Freddie Mac without cause (as those terms are defined in the employment agreement), his non-competition restriction is limited to Fannie Mae.

Bank of America Corporation (of which McQuade was president from April through June 2004) is the parent of Bank of America, N.A., which has been a major seller of mortgage loans to Freddie Mac. During 2003, Freddie Mac purchased approximately \$12 billion of mortgage loans from Bank of America in the ordinary course of business. Bank of America is also one of the counterparties with which Freddie Mac executes derivatives transactions in the ordinary course of business. At December 31, 2003, Freddie Mac had outstanding interest-rate, exchange-rate and credit derivatives transactions with Bank of America in an aggregate notional amount of approximately \$44 billion. In addition, Banc of America Securities LLC has acted as an underwriter of Freddie Mac's debt and mortgage securities, for which it has received standard underwriting compensation.