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**PREPARED REMARKS
DICK SYRON
CHAIRMAN AND CEO**

**GOLDMAN SACHS FINANCIAL SERVICES CEO CONFERENCE 2007
NEW YORK
DECEMBER 11, 2007**

CHAIRMAN AND CEO DICK SYRON

Good morning. I want to thank Goldman Sachs and James Fotheringham for giving me the opportunity to speak this morning.

Since we released our third quarter results last month and completed a public preferred offering two weeks ago, we've actually spent quite a lot of time speaking to investors.

In light of that, I think it would be most profitable to keep my remarks brief and leave as much time for your questions as possible.

My primary focus will be Freddie's market role and the steps we are taking to manage through the current environment. Afterwards, I'll ask our Chief Financial Officer, Buddy Pizsel to give a brief update in two areas — credit and financial reporting.

[Slide 1] I'll begin by summarizing our main takeaways. Then we'll go into a little more detail on each.

First - Freddie Mac has continued to play an important stabilizing role in the housing finance market through the significant turmoil of 2007.

Second - We have increasingly benefited from improved pricing power in our guarantee business and from margins in our retained portfolio that will contribute to our returns in the future.

Third - While our credit expenses have increased significantly in the past six months, our portfolio remains one of the strongest in the mortgage finance industry. This fact should come into sharper focus as the credit cycle continues.

Finally - The management team at Freddie Mac has taken significant steps throughout 2007 to enhance our ability to weather this downturn. As our successful preferred offering last week shows, senior management is committed to taking actions that serve our charter mission while also meeting our fiduciary obligation to our common shareholders.

[Slide 2] While this may seem obvious, it's important to note that Freddie is a unique financial institution. Unlike banks, or brokerages, Freddie Mac is chartered to focus solely on the \$9.4 trillion conventional conforming residential mortgage market, with a mission to promote liquidity, stability and affordability through good times and bad.

We carry out this mission through two activities:

First – on the left – we guarantee credit risk on residential mortgages in our single-family business. As of October 31, 2007 we guaranteed a total of \$1.7 trillion in residential loans throughout the entire United States – an amount that represents approximately 43 percent of the total GSE market.

Over time, our regional diversification and our focus on conventional conforming loans has helped Freddie to promote broadly affordable homeownership and has also helped us to record credit losses that are far lower than the industry as a whole.

Second – on the right – we invest in mortgages and related securities through our retained portfolio and manage interest rate risk. As of October 31st, we had a total balance of \$703 billion invested in loans and high-quality securities.

As has been the case historically, we have continued to maintain very low levels of interest rate and credit risk in our retained portfolio, with 99 percent of our securities being agency or AAA-rated, and a duration gap that has averaged zero months.

We do not bet on the direction of interest rates. We make money over the long term through the core spread income we earn in the portfolio.

The main takeaway from this slide is that over time, Freddie Mac has succeeded in generating good returns from our guarantee and investment businesses while keeping our risk exposures very low. That strategy has enabled us to profit along

with others when times are good, and to keep serving our mission, strengthen customer relationships and build market share when times are tough.

But at the risk of being obvious, let me interject something here in the interest of full disclosure. We are totally tied to housing finance. Currently, this is a troubled sector. When credit deteriorates and spreads widen, companies in this sector take meaningful GAAP losses, as we did in the third quarter, which were augmented by our accounting treatment. Given the fact these market conditions have not reversed course significantly, our fourth quarter results are not expected to be better.

Make no mistake, senior management feels very strongly about the future of this franchise – reinforced by our capital raise – and you’re about to hear a lot of good reasons why. But I do not want anyone to leave here thinking that Freddie Mac promised investors a quick fix or a painless short term – because that is NOT what we are saying to you today.

[Slide 3] I want to go back now to the point I made earlier about our mission -- and how the GSEs are built for times like these. Over time, Freddie Mac’s continued involvement in the U.S. mortgage market has allowed us to provide support at critical times. We have provided stability for the housing sector through the Russian Financial Crisis and LTCM; through the events of 9/11; through the devastation of hurricane Katrina; and now again through the current housing downturn. Four times in ten years, Freddie Mac has shown how necessary we are as a GSE by providing liquidity and stability to markets badly in need.

As a result, even through the past six months, the conventional conforming mortgage market has performed relatively well, with homeowners continuing to source funds for home purchases refinancings at historically attractive levels.

In addition to assisting the market, Freddie Mac has benefited from the current environment, as well. I’ll quickly walk you through the highpoints.

[Slide 4] In our guarantee business, a shift in origination patterns towards long term fixed rate products and GSE securitizations has helped Freddie Mac to increase our total market penetration to approximately 28 percent through the end of September. This is an about face from the past several years when high ARM production allowed private label mortgage security issuers to take significant volumes from us. So as you can see, the market is clearly coming our way.

Importantly, these volumes are coming on at improved pricing and tighter credit standards than a year ago. As credit has deteriorated and private label securitizations have declined, we have experienced renewed pricing power in our guarantee business while actually tightening credit terms at the same time. During the third quarter of 2007, we averaged mid-20s guarantee fee rates on our new guarantees, up significantly from a year ago. More recently, we announced a price increase in our flow business that will take effect in 2008.

So, while this tough cycle is far from over, it is important to understand that our recent purchases are already starting to turn around in both volume and price.

In our retained portfolio, we are currently benefiting from improved core spread income in our retained portfolio as OASs have widened significantly. Since our underlying assets in the portfolio are of very high credit quality, and we continue to enjoy very attractive funding levels relative to LIBOR, this core spread improvement to about 60 – 70 basis points up from 25 – 30 basis points a year ago suggests a significant improvement in our investment margins going forward.

I can't stress the importance of this point enough. Whereas the returns available to us in the retained portfolio were relatively unattractive throughout the 2004 – 2006 time frame, the ROEs on new business we've achieved in the last year or so have been meaningfully better. While we are not aggressively growing at this point, we have been able to improve the underlying returns in our business by replacing lower margin, maturing assets with more attractive ones. Over time, this will improve our total results.

Finally, we feel that our credit position in our current guarantee book is near the very best in the industry. A major reason for this is that we have very low exposures to Alt-A and risk layered mortgage products. Taken together, these represent about 9 percent of our total single-family guarantee portfolio. This high quality book of business has helped us to experience serious delinquencies of 51 basis points through the end of September, a level that is roughly half of the industry average.

This combination of improved pricing and margins on new business, with continued low risk in our existing portfolio, is one that bodes well for Freddie's future.

[Slide 5] Despite these improvements, we faced a crucial turning point earlier this year. Namely, we could become a kind of "fortress Freddie" and in large part shut

down, or we could do the right thing for our mission and our shareholders and continue to play our vital role in the housing finance market.

As is clear from our actions raising capital last week, we chose the latter course. In the past, Freddie has prospered by committing capital in these environments, managing credit and interest rate risk to acceptable levels, and earning attractive long-term returns. That's what we are attempting to do again today.

This decision was not made lightly, however. Based on significant analysis and advice from Goldman Sachs and Lehman Brothers, our decision to issue the preferred should be understood as an affirmation of three points:

First – We are committed to preserving our strategic position throughout this downturn. While some market observers have noted that the amount we raised could have been more, our analysis and focus on improving internal operations gives me confidence that the \$6 billion we raised was the right amount. By issuing the preferred, we have addressed regulatory concerns, increased operational flexibility in the g-fee business, and provided for opportunistic growth in our retained portfolio over the foreseeable future.

Second – Our high quality asset base coupled with the tangible improvements in our business including better underwriting standards, and stronger margins and pricing make me confident in the long term financial prospects for our company.

Finally – We will not dilute our shareholders' long-term returns by selling equity unnecessarily or at an unacceptably low price. While we initially considered issuing a relatively small amount of convertible preferred two weeks ago, as the deal progressed, we became confident that we did not need to take this step.

Since the size of our preferred offering reflected our outlook for housing prices and credit losses, I'll close with a brief overview of our current expectations in these areas before turning it over to Buddy.

[Slide 6] As you can see, our current expectation is for home prices throughout the U.S. as a whole to decline by slightly more than 10 percent between 2007 and 2009, with states such as California and Florida expected to fare much worse. Our portfolio should experience a better “draw” than the market as a whole, as we have lower exposure to California and no exposure to the jumbo market.

Under our current forecast, we would expect to experience a default rate of 3 – 3.5 percent at a severity rate of 30 percent. This compares to the worst ever experience in our portfolio of 2.4 percent defaults and 30 percent severities in 1991.

If our expectation is realized, then we would anticipate that our total future credit losses from our current book of business would total approximately \$10 – \$12 billion. While our current GAAP accounting policies have clearly made it difficult to understand our results, one factor that bears noting here is that the high use of mark to market items on our credit guarantee portfolio has resulted in almost half of the expected credit losses already being reflected in our GAAP results.

The situation in fair value is even more pronounced, where approximately \$17 billion in expected losses have been incorporated into our 2007 results. Importantly, it would take a credit environment more than twice as bad as our 1991 experience to realize the fair value indicated losses. As bad as today's environment is, it's not twice as bad as our 1991 experience – so that is not a level that we expect to recognize.

I have a few closing thoughts for you – but rather than repeat myself, I'll just turn it over to Buddy now and wrap up briefly when he's done. Buddy?

Chief Financial Officer Buddy Pizel

Thanks, Dick. In the interest of time, I'll touch on only two points: on the credit side, our comfort with our subprime and Alt-A ABS portfolios; and on the accounting side, our progress on financial reporting, our adjusted GAAP metric and targeted accounting policy changes.

[Slide 7] As Dick mentioned, a major strength of Freddie Mac is our high asset quality. Let me give you some details on our retained portfolio. As of September 30, 2007, 99 percent of the portfolio was invested in AAA rated or agency securities.

We have no CDO exposure in our portfolio of subprime and Alt-A backed securities, and we continue to benefit from significant credit enhancement in the form of subordination.

[Slide 8] As a result of this protection, we have indicated that we do not anticipate the need to record any credit-related impairment charge on our portfolio of subprime backed ABS securities. We have stress tested these assets to levels of 50 percent default and 50 percent severity and even under those extreme levels, the positions incur no need for impairments.

Given the declines in the ABX index, it is understandable that many investors have pushed back on this last point. However, the key point to note here is that our AAA subprime assets are significantly different than those referenced by the ABX index. This is because our assets have significantly shorter average lives than those in the ABX – meaning that we will receive earlier repayment of principal and interest than the tranches referenced in the ABX, and that the expected losses on underlying collateral are unlikely to breach the credit enhancement levels.

So as far as I can tell, contrary to market concerns, there is no bad news for us to report on these positions. We respect the questions we're getting on this, but we have confidence in what our stress testing is telling us.

On our financial reporting and accounting policy changes, we actually have good news. As we indicated on our third quarter call, we are taking two steps to address the lack of transparency, clarity and simplicity in our reported financial results.

First, I have asked my team to start building a framework for re-initiating hedge accounting on our portfolio of derivatives. That, plus the selective adoption of the

fair value option will remove some, not all, of the volatility in our GAAP financial statement.

Second, as we have discussed with many of you, we have also made good progress on developing segment reporting and an adjusted GAAP measure that will present our company's results more clearly. As part of this presentation, we are currently planning to adjust out unrealized derivatives mark-to-market items and simply recognize realized gains and losses as they would emerge over the life of our portfolio. In addition, we anticipate reflecting our credit expenses on an all-in provision basis rather than combining mark-to-market accounting with a provision.

Delivering this presentation requires a re-measurement of past results with an accompanying MD&A. We are doing our utmost to roll out this presentation by year-end. But if this work jeopardizes our release of results in 60 days, it will be provided after our year-end release. We will meet our 60-day, year-end commitment.

I am happy to report that we continue to make good progress on all of these items despite the market unrest and the activity of the past week.

With that let me turn it back to Dick before we take your questions.

CHAIRMAN AND CEO DICK SYRON

Thanks, Buddy. While we believe strongly in Freddie Mac's future, I want to be clear that as an economist, I still see a very difficult period ahead. It's for that reason, in fact, that we have taken appropriate steps and course corrections to position the company to endure and prosper in the long run. We've provisioned conservatively. We've got a prudent capital cushion. We took the safe but painful step of trimming our dividend. And we've taken the essential steps of improving our business, raising our prices and tightening our credit box as appropriate.

So we don't pretend we have an easy road ahead. But we do believe we are well prepared for the pessimistic outcome the market is forecasting. We will work our way through this downturn and we believe very strongly in the strength of this franchise and our ability to generate strong shareholder value as conditions improve.

With that, let me get to the most important part – which is taking your questions. Thank you.