

OFFERING CIRCULAR

5,000,000 Shares

Freddie
Mac

Freddie Mac

Variable Rate, Non-Cumulative Preferred Stock

Initial Dividend Rate:	5.97% (from November 5, 1999 through December 31, 2004)
Variable Dividend Rate:	5-year CMT Rate
Dividend Rate Cap:	11%
Payment Dates:	March 31, June 30, September 30 and December 31 of each year, beginning December 31, 1999
Dividend Rate Reset:	As of January 1, 2005 and as of January 1 every five years thereafter (based on 5-year CMT Rate determined two Business Days prior)
Dividend Adjustment:	Dividend amount subject to adjustment upon certain adverse changes to dividends-received deduction prior to May 5, 2001
Liquidation Preference:	\$50 per share plus current dividends
Optional Redemption:	On December 31, 2004 and on December 31 every five years thereafter
Issue Date:	November 5, 1999
Listing:	New York Stock Exchange (pending)

FREDDIE MAC'S OBLIGATIONS UNDER THE TERMS OF THE PREFERRED STOCK ARE OBLIGATIONS OF FREDDIE MAC ONLY AND ARE NOT OBLIGATIONS OF, OR GUARANTEED BY, THE UNITED STATES OR ANY AGENCY OR INSTRUMENTALITY OF THE UNITED STATES OTHER THAN FREDDIE MAC.

	<u>Initial Public Offering Price (1)</u>	<u>Underwriting Discount</u>	<u>Proceeds to Freddie Mac (1) (2)</u>
Per Share	\$50.00	\$0.50	\$49.50
Total (3)	\$250,000,000	\$2,500,000	\$247,500,000

(1) Plus accrued dividends, if any, from November 5, 1999.

(2) Before deducting estimated expenses of \$250,000 payable by Freddie Mac.

(3) Freddie Mac has granted the Underwriters an option to purchase up to an additional 750,000 shares to cover overallotments. If all such shares are purchased, the total Initial Public Offering Price, Underwriting Discount and Proceeds to Freddie Mac will be \$287,500,000, \$2,875,000 and \$284,625,000, respectively. See "Underwriting."

Goldman, Sachs & Co.
First Tennessee Bank NA

Lehman Brothers

Blaylock & Partners, L.P.

The date of this Offering Circular is November 2, 1999.

CERTAIN PERSONS PARTICIPATING IN THIS OFFERING MAY ENGAGE IN TRANSACTIONS THAT STABILIZE, MAINTAIN OR OTHERWISE AFFECT THE PRICE OF THE PREFERRED STOCK, INCLUDING OVER-ALLOTMENT, STABILIZING AND SHORT-COVERING TRANSACTIONS IN SUCH SECURITIES, AND THE IMPOSITION OF A PENALTY BID, IN CONNECTION WITH THE OFFERING. FOR A DESCRIPTION OF THESE ACTIVITIES, SEE “UNDERWRITING.”

ADDITIONAL INFORMATION

This Offering Circular should be read in conjunction with, and is qualified in its entirety by:

- the Certificate of Creation, Designation, Powers, Preferences, Rights, Privileges, Qualifications, Limitations, Restrictions, Terms and Conditions (the “Certificate of Designation”) relating to the Variable Rate, Non-Cumulative Preferred Stock (the “Preferred Stock”), which will be in substantially the form attached as Appendix A to this Offering Circular;
- the press release and certain unaudited financial statements issued by Freddie Mac on October 19, 1999 attached as Appendix B to this Offering Circular; and
- Freddie Mac’s Information Statement dated March 31, 1999 and its Information Statement Supplements dated May 14, 1999 and August 13, 1999 (together, the “Information Statement”), which are hereby incorporated by reference.

Freddie Mac furnishes its stockholders with annual reports containing financial information audited by independent public accountants and quarterly reports containing unaudited financial information.

The shares of Preferred Stock are exempt from the registration requirements of the Securities Act of 1933 and are “exempted securities” within the meaning of the Securities Exchange Act of 1934. Accordingly, no registration statement has been filed with the Securities and Exchange Commission, and Freddie Mac does not file periodic reports with the Securities and Exchange Commission.

Copies of Freddie Mac’s most recent annual and quarterly reports and its most recent proxy statement are available, and copies of the Certificate of Designation as executed will be available, without charge, from Shareholder Relations, Freddie Mac, 8200 Jones Branch Drive, McLean, VA 22102, telephone (800) FREDDIE (800-373-3343).

Dividends paid on the Preferred Stock have no exemption under federal law from federal, state or local taxation.

The distribution of this Offering Circular and the offer, sale and delivery of the Preferred Stock in certain jurisdictions may be restricted by law. Persons who receive this Offering Circular should inform themselves about and observe any such restrictions.

OFFERING SUMMARY

Issuer	Federal Home Loan Mortgage Corporation (“Freddie Mac” or the “Corporation”).
Security Offered	5,000,000 shares (assuming the Underwriters’ overallotment option is not exercised) of Variable Rate, Non-Cumulative Preferred Stock (the “Preferred Stock”), with a redemption price and liquidation preference of \$50 per share.
Dividends:	
Initial Dividend Rate	5.97% per annum. Dividends will accrue at the Initial Dividend Rate from November 5, 1999 through December 31, 2004. The dividend rate will reset as of January 1, 2005 and as of January 1 every five years thereafter (based on 5-year CMT Rate determined two Business Days prior).
Variable Dividend Rate	5-year CMT Rate. For information about how and when the 5-year CMT Rate will be determined, see “Description of Preferred Stock — Dividends.”
Rate Cap	11%
Calculation Agent	Freddie Mac
Frequency	Quarterly, when, as and if declared by the Board of Directors.
Payment Dates	March 31, June 30, September 30 and December 31 of each year, beginning December 31, 1999.
DRD Protection	If, prior to May 5, 2001, certain amendments to the Internal Revenue Code of 1986, as amended (the “Code”), are enacted that reduce the percentage of the dividends-received deduction below 70%, the amount of dividends payable in respect of the Preferred Stock will be adjusted to offset the effect of such reduction. However, no adjustment will be made to the extent that the percentage of the dividends-received deduction is reduced below 50%. Such adjustment may result in a dividend rate in excess of 11% per annum.
Preferences	The Preferred Stock will be entitled to a preference, both as to dividends and upon liquidation, over the common stock (and any other junior stock) of Freddie Mac. The Preferred Stock will rank on a parity, both as to dividends and upon liquidation, with other currently outstanding series of Freddie Mac preferred stock.
Optional Redemption	On December 31, 2004 and on December 31 every five years thereafter, Freddie Mac will have the option to redeem the Preferred Stock, in whole or in part, at the redemption price of \$50 per share plus the amount that would otherwise be payable as the dividend for the quarterly dividend period ending on the redemption date.
Liquidation Rights	In the event of any dissolution or liquidation of Freddie Mac, holders of the Preferred Stock will be entitled to receive, out of any assets available for distribution to stockholders, up to \$50 per share plus the dividend for the then-current quarterly dividend period accrued through the liquidation payment date.
Voting Rights	None, except with respect to certain changes in the terms of the Preferred Stock.
Preemptive and Conversion Rights	None.
Rating	The Preferred Stock is expected to be rated “aa3” by Moody’s Investors Service, Inc. (“Moody’s”) and “AA-” by Standard & Poor’s Ratings Services (“S&P”). See “Rating.”
Use of Proceeds	To be added to the working capital of Freddie Mac and used for general corporate purposes, including the purchase of residential mortgages, the redemption of previously issued shares of preferred stock, the repayment of outstanding debt and the repurchase of outstanding shares of the Corporation’s stock.
Transfer Agent, Dividend Disbursing Agent and Registrar	First Chicago Trust Company, New York, New York.
NYSE Listing	Application has been made to list the Preferred Stock on the New York Stock Exchange (the “NYSE”).

SUMMARY SELECTED FINANCIAL DATA

	At or For the Nine Months Ended September 30,		At or For the Year Ended December 31,				
	1999	1998	1998	1997	1996	1995	1994
(dollars in millions, except per share amounts)							
BALANCE SHEET							
Retained portfolio(1)	\$ 315,968	\$ 216,522	\$ 255,009	\$ 164,421	\$ 137,755	\$ 107,424	\$ 72,828
Total assets	\$ 364,885	\$ 263,256	\$ 321,421	\$ 194,597	\$ 173,866	\$ 137,181	\$ 106,199
Primary capital base(2)	\$ 11,907	\$ 10,034	\$ 11,603	\$ 8,215	\$ 7,411	\$ 6,546	\$ 5,895
Adjusted total capital base(3)	\$ 12,039	\$ 10,194	\$ 11,765	\$ 8,736	\$ 7,901	\$ 7,179	\$ 7,121
MORTGAGE PURCHASE AND FINANCING ACTIVITIES							
Mortgage purchases	\$ 230,797	\$ 198,879	\$ 288,338	\$ 121,490	\$ 128,565	\$ 98,386	\$ 124,246
Number of mortgages purchased	1,758,190	1,696,297	2,396,651	1,085,046	1,232,540	934,890	1,256,566
PC issuances	\$ 200,642	\$ 180,408	\$ 250,564	\$ 114,258	\$ 119,702	\$ 85,877	\$ 117,110
Mortgage Participation Certificates ("PCs") (4) ..	\$ 738,581	\$ 635,726	\$ 646,459	\$ 579,385	\$ 554,260	\$ 515,051	\$ 491,325
INCOME STATEMENT							
Net interest income on earning assets(5)	\$ 1,876	\$ 1,390	\$ 1,927	\$ 1,631	\$ 1,542	\$ 1,298	\$ 1,047
Management and guarantee income	\$ 1,043	\$ 978	\$ 1,307	\$ 1,298	\$ 1,249	\$ 1,185	\$ 1,173
Net income	\$ 1,629	\$ 1,232	\$ 1,700	\$ 1,395	\$ 1,243	\$ 1,091	\$ 983
Earnings per common share:(6)							
Basic	\$ 2.18	\$ 1.70	\$ 2.32	\$ 1.90	\$ 1.65	\$ 1.42	\$ 1.27
Diluted	\$ 2.17	\$ 1.68	\$ 2.31	\$ 1.88	\$ 1.63	\$ 1.41	\$ 1.26
Dividends per common share	\$ 0.45	\$ 0.36	\$ 0.48	\$ 0.40	\$ 0.35	\$ 0.30	\$ 0.26
Return on common equity(7) (8)	25.0%	24.3%	24.1%	23.3%	22.2%	21.9%	23.2%

(1) Excludes related purchase and sale premiums, discounts and deferred fees, reserve for losses on retained mortgages, and net unrealized gain (loss) on available-for-sale guaranteed mortgage securities.

(2) "Stockholders' equity" plus the sum of "Reserve for losses on retained mortgages" and "Reserve for losses on Mortgage Participation Certificates."

(3) "Primary capital base" and "Subordinated borrowings."

(4) Includes Freddie Mac PCs held in the retained portfolio.

(5) In fourth quarter 1998, Freddie Mac changed its reporting for the preferred stock ownership interests and dividends associated with its real estate investment trust ("REIT") subsidiaries, which were formed in 1997. Under the revised reporting, the preferred stock ownership interests in the REIT subsidiaries, previously reported as minority interest on Freddie Mac's Consolidated Balance Sheets, are now included in debt securities. The related dividends paid by the REIT subsidiaries, previously reported as minority interest on Freddie Mac's Consolidated Statements of Income, are now reported as interest expense on long-term debt. Amounts for 1997 have been restated to reflect this revised reporting.

(6) "Earnings per common share-basic" are computed based on weighted average common shares outstanding. "Earnings per common share-diluted" are computed based on the total of weighted average common shares outstanding and the effect of dilutive common equivalent shares outstanding.

(7) Calculated quarterly as "Net income" less preferred stock dividends, divided by the simple average of the beginning and ending balances of "Stockholders' equity," net of preferred stock (at redemption value).

(8) Year-to-date and annual computations reflect the average of quarterly returns.

FREDDIE MAC

Freddie Mac is a shareholder-owned government-sponsored enterprise (“GSE”) chartered on July 24, 1970 pursuant to the Federal Home Loan Mortgage Corporation Act, Title III of the Emergency Home Finance Act of 1970, as amended (the “Freddie Mac Act”). Freddie Mac’s statutory purposes are:

- to provide stability in the secondary market for residential mortgages
- to respond appropriately to the private capital market
- to provide ongoing assistance to the secondary market for residential mortgages (including activities relating to mortgages on housing for low- and moderate-income families involving a reasonable economic return that may be less than the return earned on other activities)
- to promote access to mortgage credit throughout the United States (including central cities, rural areas and other underserved areas) by increasing the liquidity of mortgage investments and improving the distribution of investment capital available for residential mortgage financing.

Neither the United States nor any agency or instrumentality of the United States (other than Freddie Mac) is obligated, either directly or indirectly, to fund the mortgage purchase or financing activities of Freddie Mac.

The principal activity of Freddie Mac consists of the purchase of first lien, conventional, residential mortgages. Its mortgage purchases are primarily financed by sales of single-class guaranteed mortgage-related securities, primarily various types of mortgage participation certificates (“PCs”). Freddie Mac guarantees the payment of interest due on PCs and the principal of the underlying mortgages. Freddie Mac also finances mortgage purchases with debt securities, other liabilities and equity capital. In addition, Freddie Mac invests in mortgages and mortgage-related securities, and engages in other activities that support its mortgage purchase, investment and financing activities.

Freddie Mac is subject to two primary types of risk in the conduct of its business: credit risk associated with the mortgages it purchases and the institutions with which it does business; and interest-rate risk that principally results from mismatches between the maturities of the assets and liabilities associated with its mortgage portfolio. Freddie Mac also is subject to operational risk associated with losses that may occur due to human error, system failure (including failures related to the Year 2000 date change), fraud or circumvention of internal controls. For a discussion of the impact and management of these risks, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations” in the Information Statement.

The principal office of Freddie Mac is in McLean, Virginia. Freddie Mac has regional offices that are primarily responsible for the performance of various marketing activities and quality control procedures. These offices are located in Atlanta, Georgia; Chicago, Illinois; Dallas, Texas; McLean, Virginia; New York, New York and Woodland Hills, California.

A more detailed discussion of the business of the Corporation appears under “Business” in the Information Statement. The preceding description of the business of Freddie Mac is qualified in its entirety by that discussion.

USE OF PROCEEDS

The Corporation will apply the net proceeds from the sale of Preferred Stock to its general funds to be used for general corporate purposes, including the purchase of residential mortgages, the redemption of shares of preferred stock previously issued by the Corporation, the repayment of outstanding debt and the repurchase of outstanding shares of the Corporation’s stock. The precise amounts and timing of the application of the proceeds will depend upon the funding requirements of the Corporation.

The Corporation engages in financing transactions continuously. The amount and nature of such transactions are dependent upon a number of factors, including the volume of mortgage prepayments and mortgages purchased by the Corporation, as well as general market conditions.

CAPITALIZATION

The following table sets forth the capitalization of the Corporation at September 30, 1999 and as adjusted to reflect the sale of the Preferred Stock offered hereby. This table should be read in conjunction with the financial statements of the Corporation and other information contained in the Information Statement.

	September 30, 1999	
	Actual	As Adjusted(1)
	(dollars in millions)	
Debt Securities:		
Notes and bonds payable due within one year:		
Discount notes, medium-term notes and securities sold under agreements to repurchase	\$165,029	\$165,029
Current portion of long-term debt	8,527	8,527
	173,556	173,556
Notes and bonds payable due after one year	167,458	167,458
Total debt securities, net	341,014	341,014
Subordinated Borrowings	132	132
Stockholders' Equity(2):		
Variable Rate, Non-Cumulative Preferred Stock, \$1.00 par value and \$50.00 redemption value(3)	250	250
6.125% Non-Cumulative Preferred Stock, \$1.00 par value and \$50.00 redemption value(4) ..	287	287
6.14% Non-Cumulative Preferred Stock, \$1.00 par value and \$50.00 redemption value(5) ..	600	600
5.81% Non-Cumulative Preferred Stock, \$1.00 par value and \$50.00 redemption value(6) ..	150	150
5% Non-Cumulative Preferred Stock, \$1.00 par value and \$50.00 redemption value(7)	400	400
Variable Rate, Non-Cumulative Preferred Stock, \$1.00 par value and \$50.00 redemption value(8)	220	220
5.1% Non-Cumulative Preferred Stock, \$1.00 par value and \$50.00 redemption value(8) ..	400	400
5.3% Non-Cumulative Preferred Stock, \$1.00 par value and \$50.00 redemption value(9) ..	200	200
5.1% Non-Cumulative Preferred Stock, \$1.00 par value and \$50.00 redemption value(10) ..	150	150
5.79% Non-Cumulative Preferred Stock, \$1.00 par value and \$50.00 redemption value(11) ..	250	250
Variable Rate, Non-Cumulative Preferred Stock, \$1.00 par value and \$50.00 redemption value(12)	—	250
Common stock, \$0.21 par value	152	152
Additional paid-in capital	484	481
Retained earnings	9,287	9,287
Net unrealized gain on certain investments reported at fair value, net of taxes	(908)	(908)
Less: treasury stock, at cost	(782)	(782)
Total stockholders' equity	11,140	11,387
Total capitalization	<u>\$352,286</u>	<u>\$352,533</u>

- (1) "As adjusted" reflects anticipated proceeds of \$250 million from the issuance of 5 million shares of Preferred Stock and the deduction of \$3 million in estimated transaction costs. The actual costs may differ.
- (2) Preferred stock amounts reflect redemption values as shown. Costs associated with the issuance of preferred stock are included in additional paid-in capital.
- (3) Optional redemption on or after June 30, 2001.
- (4) Optional redemption on or after December 31, 2001.
- (5) Optional redemption on or after June 30, 2002.
- (6) Optional redemption on or after October 27, 1998.
- (7) Optional redemption on or after March 31, 2003.
- (8) Optional redemption on or after September 30, 2003.
- (9) Optional redemption on or after October 30, 2000.
- (10) Optional redemption on or after March 31, 2004.
- (11) Optional redemption on or after June 30, 2009.
- (12) Optional redemption on December 31, 2004 and on December 31 every five years thereafter.

See Notes 7 and 8 to the Consolidated Financial Statements included in the Information Statement for further information about Freddie Mac's debt securities, subordinated borrowings and stockholders' equity. Amounts of debt securities and subordinated borrowings are net of unamortized discounts, premiums and hedging gains or losses.

The Corporation engages in transactions affecting stockholders' equity (including repurchases of its common stock and redemptions of its preferred stock) from time to time and issues or retires debentures, notes and other debt obligations on an ongoing basis. Accordingly, on any date subsequent to September 30, 1999, stockholders' equity may differ, and the amount of debt obligations outstanding will differ, and may differ substantially, from the figures contained in the capitalization table above.

SELECTED FINANCIAL DATA

The following selected financial data for the years 1994 through 1998 have been summarized or derived from the audited consolidated financial statements or the internal accounting records of the Corporation. These data are qualified in their entirety by, and should be read in conjunction with, the detailed information, audited consolidated financial statements and notes to consolidated financial statements that are presented in the Information Statement. The following selected financial data for the nine months ended September 30, 1999 and September 30, 1998 have been summarized or derived from unaudited consolidated financial statements (which are included in Appendix B to this Offering Circular) or from internal accounting records, but in the opinion of management of the Corporation, all adjustments necessary for a fair presentation have been included. Adjustments included herein are of a normal, recurring nature.

	At or For the Nine Months Ended September 30,		At or For the Year Ended December 31,				
	1999	1998	1998	1997	1996	1995	1994
(dollars in millions, except per share amounts)							
Balance Sheet							
Retained portfolio(1)	\$ 315,968	\$ 216,522	\$ 255,009	\$ 164,421	\$ 137,755	\$ 107,424	\$ 72,828
Total assets	\$ 364,885	\$ 263,256	\$ 321,421	\$ 194,597	\$ 173,866	\$ 137,181	\$ 106,199
Debt securities, net(2)	\$ 341,014	\$ 236,387	\$ 287,234	\$ 172,321	\$ 156,491	\$ 119,328	\$ 92,053
Total liabilities(2)	\$ 353,191	\$ 253,361	\$ 309,978	\$ 186,154	\$ 166,271	\$ 130,297	\$ 99,368
Capital base:							
Stockholders' equity	\$ 11,140	\$ 9,288	\$ 10,835	\$ 7,521	\$ 6,731	\$ 5,863	\$ 5,162
Reserve for mortgage losses(3)	767	746	768	694	680	683	733
Primary capital base	\$ 11,907	\$ 10,034	\$ 11,603	\$ 8,215	\$ 7,411	\$ 6,546	\$ 5,895
Subordinated borrowings	132	160	162	521	490	633	1,226
Adjusted total capital base	\$ 12,039	\$ 10,194	\$ 11,765	\$ 8,736	\$ 7,901	\$ 7,179	\$ 7,121
Mortgage Participation Certificates ("PCs") (4)	\$ 738,581	\$ 635,726	\$ 646,459	\$ 579,385	\$ 554,260	\$ 515,051	\$ 491,325
Freddie Mac PCs held in the retained portfolio	\$ 209,368	\$ 145,039	\$ 168,108	\$ 103,400	\$ 81,195	\$ 56,006	\$ 30,670
Primary capital ratio(5)	1.33%	1.33%	1.45%	1.23%	1.15%	1.10%	1.04%
Adjusted total capital ratio(6)	1.35%	1.35%	1.47%	1.30%	1.22%	1.20%	1.26%
Return on common equity(7) (8)	25.0%	24.3%	24.1%	23.3%	22.2%	21.9%	23.2%
Return on average assets and contingencies(8) (9)	0.26%	0.23%	0.24%	0.21%	0.20%	0.20%	0.18%
Mortgage Purchase and Financing Activities							
Mortgage purchases	\$ 230,797	\$ 198,879	\$ 288,338	\$ 121,490	\$ 128,565	\$ 98,386	\$ 124,246
Number of mortgages purchased	1,758,190	1,696,297	2,396,651	1,085,046	1,232,540	934,890	1,256,566
PC issuances	\$ 200,642	\$ 180,408	\$ 250,564	\$ 114,258	\$ 119,702	\$ 85,877	\$ 117,110
Structured Securitizations(10)	\$ 103,817	\$ 108,044	\$ 135,162	\$ 84,366	\$ 34,145	\$ 15,372	\$ 73,131
Long-term debt:(2)							
Issued	\$ 93,484	\$ 41,587	\$ 63,789	\$ 35,091	\$ 33,852	\$ 29,643	\$ 22,744
Retired	(21,741)	(43,304)	(54,708)	(22,091)	(20,819)	(11,082)	(6,462)
Net	\$ 71,743	\$ (1,717)	\$ 9,081	\$ 13,000	\$ 13,033	\$ 18,561	\$ 16,282
Income Statement							
Net interest income on earning assets(2)	\$ 1,876	\$ 1,390	\$ 1,927	\$ 1,631	\$ 1,542	\$ 1,298	\$ 1,047
Management and guarantee income	\$ 1,043	\$ 978	\$ 1,307	\$ 1,298	\$ 1,249	\$ 1,185	\$ 1,173
Income before income taxes and extraordinary item	\$ 2,337	\$ 1,707	\$ 2,356	\$ 1,964	\$ 1,797	\$ 1,586	\$ 1,482
Net income	\$ 1,629	\$ 1,232	\$ 1,700	\$ 1,395	\$ 1,243	\$ 1,091	\$ 983
Earnings per common share:(11)							
Basic	\$ 2.18	\$ 1.70	\$ 2.32	\$ 1.90	\$ 1.65	\$ 1.42	\$ 1.27
Diluted	\$ 2.17	\$ 1.68	\$ 2.31	\$ 1.88	\$ 1.63	\$ 1.41	\$ 1.26
Weighted average common shares outstanding (in thousands):(11)							
Basic	695,867	677,839	679,790	684,937	709,453	721,288	722,663
Diluted	700,421	682,717	684,658	691,701	714,878	725,114	726,108
Dividends per common share	\$ 0.45	\$ 0.36	\$ 0.48	\$ 0.40	\$ 0.35	\$ 0.30	\$ 0.26
Dividend payout ratio on common stock	20.63%	21.15%	20.65%	21.08%	21.26%	21.09%	20.47%
Ratio of earnings to fixed charges(2) (12)	1.16:1	1.17:1	1.16:1	1.17:1	1.19:1	1.23:1	1.31:1
Ratio of earnings to combined fixed charges and preferred stock dividends(2) (12)	1.15:1	1.15:1	1.15:1	1.16:1	1.18:1	1.22:1	1.30:1

- (1) Excludes related purchase and sale premiums, discounts and deferred fees, reserve for losses on retained mortgages, and net unrealized gain (loss) on available-for-sale guaranteed mortgage securities.
- (2) In fourth quarter 1998, Freddie Mac changed its reporting for the preferred stock ownership interests and dividends associated with its REIT subsidiaries, which were formed in 1997. Under the revised reporting, the preferred stock ownership interests in the REIT subsidiaries previously reported as minority interest on Freddie Mac's Consolidated Balance Sheets, are now included in debt securities. The related dividends paid by the REIT subsidiaries, previously reported as minority interest on Freddie Mac's Consolidated Statements of Income, are now reported as interest expense on long-term debt. Amounts for 1997 have been restated to reflect this revised reporting.
- (3) "Reserves for losses on retained mortgages" and "Reserves for losses on Mortgage Participation Certificates."
- (4) Includes Freddie Mac PCs held in the retained portfolio.
- (5) "Primary capital base" divided by the sum of "Total assets" and "PCs" less "Freddie Mac PCs held in the retained portfolio."
- (6) "Adjusted total capital base" divided by the sum of "Total assets" and "PCs" less "Freddie Mac PCs held in the retained portfolio."
- (7) Calculated quarterly as "Net income" less preferred stock dividends, divided by the simple average of the beginning and ending balances of "Stockholders' equity," net of preferred stock (at redemption value).
- (8) Year-to-date and annual computations reflect the average of quarterly returns.
- (9) Calculated quarterly as "Net income" divided by the simple average of the beginning and ending balances of "Total assets" and "PCs" less "Freddie Mac PCs held in the retained portfolio."
- (10) Includes issuances of mortgage-related securities in which the cash flows are structured into various classes having a variety of features, the majority of which qualify for treatment as Real Estate Mortgage Investment Conduits (REMICs) under the Internal Revenue Code.
- (11) "Earnings per common share-basic" are computed based on weighted average common shares outstanding. "Earnings per common share-diluted" are computed based on the total of weighted average common shares outstanding and the effect of dilutive common equivalent shares outstanding.
- (12) Earnings represent consolidated pre-tax income plus consolidated fixed charges, less interest capitalized. Fixed charges include interest (including amounts capitalized) and the portion of net rental expense deemed representative of interest.

REGULATION AND GOVERNMENTAL RELATIONSHIPS

From time to time, Freddie Mac's statutory, structural and regulatory relationships with the federal government may be subject to review or modification. While Freddie Mac's GSE status is often advantageous for the Corporation, proposals have been advanced that could adversely affect Freddie Mac's fulfillment of its statutory purposes, as well as the Corporation's results of operations. A more detailed discussion of Freddie Mac's regulatory and governmental relationships appears under "Regulation and Governmental Relationships" in the Information Statement.

DESCRIPTION OF PREFERRED STOCK

The description of the Preferred Stock set forth below does not purport to be complete and is qualified in its entirety by the Certificate of Designation, which will be in substantially the form attached as Appendix A.

General

Under §306(f) of the Freddie Mac Act, Freddie Mac is authorized to issue an unlimited number of shares of preferred stock. The shares of Preferred Stock being offered hereby will have a par value of \$1.00 per share. The Preferred Stock will be created pursuant to the Certificate of Designation.

First Chicago Trust Company, New York, New York, will be the transfer agent, dividend disbursing agent and registrar for the Preferred Stock.

Authorized Issuance

Freddie Mac has been authorized by its Board of Directors to issue the shares of Preferred Stock offered hereby (including any shares issued pursuant to the Underwriters' overallotment option). The Board of Directors may increase the authorized number of shares at any time, without the consent of the holders of Preferred Stock.

Dividends

Dividends on shares of the Preferred Stock will not be mandatory. Holders of Preferred Stock will be entitled to receive non-cumulative, quarterly cash dividends which will accrue from but not including November 5, 1999 and will be payable on March 31, June 30, September 30 and December 31 of each year (each, a "Dividend Payment Date"), commencing December 31, 1999, when, as and if declared by the Board of Directors in its sole discretion, out of funds legally available for dividend payments. If a Dividend Payment Date is not a "Business Day," the related dividend will be paid on the next Business Day with the same force and effect as though paid on the Dividend Payment Date, without any increase to account for the period from such Dividend Payment Date through the date of actual payment. For these purposes, "Business Day" means a day other than (i) a Saturday or a Sunday, (ii) a day on which New York City banks are closed or (iii) a day on which the offices of Freddie Mac are closed. Dividends will be paid to holders of record on the record date fixed by the Board of Directors, not to be earlier than 45 days or later than 10 days preceding the applicable Dividend Payment Date.

The dividend rate for the period from November 5, 1999 through and including December 31, 2004 will be 5.97%. Thereafter, dividends will accrue at a variable per annum rate (not greater than 11%) equal to the "CMT Rate" (as defined below). On January 1, 2005, and on January 1 every five years thereafter, the previous dividend rate will be replaced by the then-current CMT Rate. The CMT Rate for each such five-year period will be determined by Freddie Mac on the second Business Day immediately preceding the first day of such period (each, a "CMT Determination Date"). If declared, the initial dividend, which will be for the "Dividend Period" from but not including November 5, 1999 through and including December 31, 1999, will be \$0.456 per share and will be payable on December 31, 1999. Thereafter, the "Dividend Period" relating to a Dividend Payment Date will be the period from but not including the preceding Dividend Payment Date through and including the related Dividend Payment Date. The amount of dividends payable for any period shorter than a full Dividend Period shall be computed on the basis of twelve 30-day months and a 360-day year. If Freddie Mac redeems the Preferred Stock, the dividend that would otherwise be payable for the Dividend Period ending on the date of redemption will be included in the redemption price of the shares redeemed and will not be separately payable.

The “CMT Rate” for any CMT Determination Date will be the rate (not greater than 11%) equal to:

(i) the weekly average interest rate of U.S. Treasury securities having an index maturity of five years for the week that ends immediately before the week in which the relevant CMT Determination Date falls, as such rate appears on page “7052” on Telerate (or such other page as may replace the 7052 page on that service or any successor service) under the heading “. . . Treasury Constant Maturities . . . Federal Reserve Board Release H.15 . . . Mondays Approximately 3:45 p.m.”

(ii) If the applicable rate described in clause (i) above is not displayed on Telerate page 7052 at 3:00 p.m., New York City time, on the relevant CMT Determination Date, then the CMT Rate will be the Treasury constant maturity rate applicable to a five-year index maturity for the weekly average as published in H.15(519) (as defined below).

(iii) If the applicable rate described in clause (ii) above does not appear in H.15(519) at 3:00 p.m., New York City time, on the relevant CMT Determination Date, then the CMT Rate will be the Treasury constant maturity rate, or other U.S. Treasury rate, applicable to a five-year index maturity with reference to the relevant CMT Determination Date, that:

(a) is published by the Board of Governors of the Federal Reserve System, or the U.S. Department of the Treasury; and

(b) is determined by Freddie Mac to be comparable to the applicable rate formerly displayed on Telerate page 7052 and published in H.15(519).

(iv) If the rate described in clause (iii) above does not appear at 3:00 p.m., New York City time, on the relevant CMT Determination Date, then the CMT Rate will be the yield to maturity of the arithmetic mean of the secondary market offered rates for Treasury notes having an original maturity of approximately five years and a remaining term to maturity of not less than four years, and in a representative amount, as of approximately 3:30 p.m., New York City time, on the relevant CMT Determination Date, as quoted by three primary U.S. government securities dealers in New York City selected by Freddie Mac. In selecting these offered rates, Freddie Mac will request quotations from five primary dealers and will disregard the highest quotation — or, if there is equality, one of the highest — and the lowest quotation — or, if there is equality, one of the lowest. Treasury notes are direct, non-callable, fixed rate obligations of the U.S. government.

(v) If Freddie Mac is unable to obtain three quotations of the kind described in clause (iv) above, the CMT Rate will be the yield to maturity of the arithmetic mean of the secondary market offered rates for Treasury notes with an original maturity longer than five years and a remaining term to maturity closest to five years, and in a representative amount, as of approximately 3:30 p.m., New York City time, on the relevant CMT Determination Date, as quoted by three primary U.S. government securities dealers in New York City selected by Freddie Mac. In selecting these offered rates, Freddie Mac will request quotations from five primary dealers and will disregard the highest quotation — or, if there is equality, one of the highest — and the lowest quotation — or, if there is equality, one of the lowest.

(vi) If fewer than five but more than two primary dealers are quoting offered rates as described above in clause (v), then the CMT Rate for the relevant CMT Determination Date will be based on the arithmetic mean of the offered rates so obtained, and neither the highest nor the lowest of those quotations will be disregarded.

(vii) If two or fewer primary dealers are quoting offered rates as described above in clause (v), the CMT Rate in effect for the new Dividend Period will be the CMT Rate in effect for the prior Dividend Period.

“H.15(519)” means the weekly statistical release entitled “Statistical Release H.15(519),” or any successor publication, published by the Board of Governors of the Federal Reserve System.

Absent manifest error, Freddie Mac’s determination of the CMT Rate will be final and binding. Investors may obtain the dividend rates for the current and preceding Dividend Periods by writing, calling or e-mailing the Investor Inquiry Department at Freddie Mac at 8200 Jones Branch Drive, McLean, Virginia 22102

(outside Washington, D.C. metropolitan area, phone 800/336-FMPC; within Washington, D.C. metropolitan area, phone 703/450-3777; e-mail: Investor_Inquiry@freddiemac.com)

The Preferred Stock will rank prior to the Voting Common Stock, par value \$0.21 per share, of Freddie Mac (the “Common Stock”) with respect to dividends, to the extent provided in the Certificate of Designation. No dividend may be declared or paid or set apart for payment on the Common Stock (or any other junior stock) unless dividends have been declared and paid or set apart (or ordered to be set apart) on the Preferred Stock in respect to the then-current Dividend Period. The Preferred Stock will rank on a parity with respect to dividends with the following outstanding securities: the 5.79% Non-Cumulative Preferred Stock issued on July 21, 1999, the 5.1% Non-Cumulative Preferred Stock issued on March 19, 1999, the 5.3% Non-Cumulative Preferred Stock issued on October 28, 1998, the Variable Rate, Non-Cumulative Preferred Stock issued on September 23, 1998 and September 29, 1998, the 5.1% Non-Cumulative Preferred Stock issued on September 23, 1998, the 5% Non-Cumulative Preferred Stock issued on March 23, 1998, the 5.81% Non-Cumulative Preferred Stock issued on October 27, 1997, the 6.14% Non-Cumulative Preferred Stock issued on June 3, 1997, the 6.125% Non-Cumulative Preferred Stock issued on November 1, 1996 and the Variable Rate, Non-Cumulative Preferred Stock issued on April 26, 1996 (collectively, the “Existing Preferred Stock”).

Dividends on the Preferred Stock will not be cumulative. If a dividend is not paid on the Preferred Stock, the holders of the Preferred Stock will have no claim in respect of such non-payment so long as no dividend is paid on the Common Stock (or any other junior stock) or the Existing Preferred Stock for the then-current period.

The Board of Directors may, in its discretion, choose to pay dividends on the Preferred Stock without the payment of any dividends on the Common Stock.

No dividends will be declared or paid or set apart for payment on any shares of the Preferred Stock if at the same time any arrears or default exists in the payment of dividends on any outstanding class or series of stock of Freddie Mac ranking prior to the Preferred Stock with respect to the payment of dividends. At the time of issuance of the Preferred Stock, no class or series of stock of Freddie Mac ranking prior to the Preferred Stock will exist.

Holders of shares of the Preferred Stock will not be entitled to any dividends, whether payable in cash or property, other than as described above and will not be entitled to interest, or any sum in lieu of interest, in respect of any dividend payment. See “Regulatory Matters” for a description of possible regulatory restrictions on Freddie Mac’s payment of dividends.

Changes in the Dividends-Received Percentage

If, prior to May 5, 2001, one or more amendments to the Code are enacted that reduce or eliminate the percentage of the dividends-received deduction (currently 70 percent) as specified in section 243(a)(1) of the Code or any successor provision (the “Dividends-Received Percentage”), including any change applicable only to certain categories of stock, which change is applicable to the Preferred Stock, certain adjustments may be made in respect of the dividends payable by the Corporation, and Post Declaration Date Dividends and Retroactive Dividends (as such terms are defined below) may become payable, as described below.

The amount of each dividend payable (if declared) per share of Preferred Stock for dividend payments made on or after the effective date of such change in the Code will be adjusted by multiplying the amount of the dividend payable described above under “Dividends” (before adjustment) by a factor, which will be the number determined in accordance with the following formula (the “DRD Formula”), and rounding the result to the nearest cent (with one-half cent rounded up):

$$\frac{1-.35(1-.70)}{1-.35(1-DRP)}$$

For the purposes of the DRD Formula, “DRP” means the Dividends-Received Percentage (expressed as a decimal) applicable to the dividend in question; *provided, however*, that if the Dividends-Received Percentage applicable to the dividend in question is less than 50%, then the DRP will equal .50. If the amount of any dividend payable on the Preferred Stock is adjusted through such application of the DRD Formula, the resulting dividend rate may exceed 11% per annum. No amendment to the Code, other than a change in the

percentage of the dividends-received deduction set forth in section 243(a)(1) of the Code or any successor provision, or a change in the percentage of the dividends-received deduction for certain categories of stock, which change is applicable to the Preferred Stock, will give rise to an adjustment. Notwithstanding the foregoing provisions, if, with respect to any such amendment, the Corporation receives either an unqualified opinion of nationally recognized independent tax counsel selected by the Corporation or a private letter ruling or similar form of assurance from the Internal Revenue Service (the “IRS”) to the effect that such an amendment does not apply to a dividend payable on the Preferred Stock, then such amendment will not result in the adjustment provided for pursuant to the DRD Formula with respect to such dividend. The opinion referenced in the previous sentence must be based upon the legislation amending or establishing the DRP or upon a published pronouncement of the IRS addressing such legislation. Unless the context otherwise requires, references to dividends in this Offering Circular will mean dividends as adjusted by the DRD Formula. The Corporation’s calculation of the dividends payable as so adjusted shall be final and not subject to review, absent manifest error.

Notwithstanding the foregoing, if any such amendment to the Code is enacted after the dividend payable on a Dividend Payment Date has been declared but before such dividend is paid, the amount of the dividend payable on such Dividend Payment Date will not be increased; instead, additional dividends (the “Post Declaration Date Dividends”), equal to the excess, if any, of (x) the product of the dividend paid by the Corporation on such Dividend Payment Date and the DRD Formula (where the DRP used in the DRD Formula would be equal to the greater of the Dividends-Received Percentage applicable to the dividend in question and .50) over (y) the dividend paid by the Corporation on such Dividend Payment Date, will be payable (if declared) to holders of Preferred Stock on the record date applicable to the next succeeding Dividend Payment Date, in addition to any other amounts payable on such date.

If any such amendment to the Code is enacted and the reduction in the Dividends-Received Percentage retroactively applies to a Dividend Payment Date as to which the Corporation previously paid dividends on the Preferred Stock (each, an “Affected Dividend Payment Date”), the Corporation will pay (if declared) additional dividends (the “Retroactive Dividends”) to holders of Preferred Stock on the record date applicable to the next succeeding Dividend Payment Date (or, if such amendment is enacted after the dividend payable on such Dividend Payment Date has been declared, to Holders of Preferred Stock on the record date applicable to the second succeeding Dividend Payment Date following the date of enactment) in an amount equal to the excess of (x) the product of the dividend paid by the Corporation on each Affected Dividend Payment Date and the DRD Formula (where the DRP used in the DRD Formula would be equal to the greater of the Dividends-Received Percentage and .50 applied to each Affected Dividend Payment Date) over (y) the sum of the dividend paid by the Corporation on each Affected Dividend Payment Date. The Corporation will make only one payment of Retroactive Dividends for any such amendment. Notwithstanding the foregoing provisions, if, with respect to any such amendment, the Corporation receives either an unqualified opinion of nationally recognized independent tax counsel selected by the Corporation or a private letter ruling or similar form of assurance from the IRS to the effect that such amendment does not apply to a dividend payable on an Affected Dividend Payment Date for the Preferred Stock, then such amendment will not result in the payment of Retroactive Dividends with respect to such Affected Dividend Payment Date. The opinion referenced in the previous sentence must be based upon the legislation amending or establishing the DRP or upon a published pronouncement of the IRS addressing such legislation.

Notwithstanding the foregoing, no adjustment in the dividends payable by the Corporation will be made, and no Post Declaration Date Dividends or Retroactive Dividends will be payable by the Corporation, in respect of the enactment of any amendment to the Code on or after May 5, 2001.

In the event that the amount of dividends payable per share of the Preferred Stock is adjusted pursuant to the DRD Formula and/or Post Declaration Date Dividends or Retroactive Dividends are to be paid, the Corporation will give notice of each such adjustment and, if applicable, any Post Declaration Date Dividends and Retroactive Dividends to the holders of Preferred Stock.

Optional Redemption

The Preferred Stock will not be redeemable prior to December 31, 2004. On that date and on December 31 every five years thereafter, subject to the notice provisions set forth below and subject to any

further limitations which may be imposed by law, Freddie Mac may redeem the Preferred Stock, in whole or in part, out of funds legally available therefor, at the redemption price of \$50.00 per share plus an amount equal to the amount of the dividend that would otherwise be payable for the Dividend Period ending on the date of redemption. If less than all of the outstanding shares of the Preferred Stock are to be redeemed, Freddie Mac will select shares to be redeemed from the outstanding shares not previously called for redemption by lot or pro rata (as nearly as possible) or by any other method which Freddie Mac in its sole discretion deems equitable.

Freddie Mac will give notice of any such redemption by mail to holders of the Preferred Stock not less than 30 days and not more than 60 days prior to the date fixed by Freddie Mac for such redemption. Each such notice will state the number of shares of Preferred Stock being redeemed, the redemption price, the redemption date and the place at which a holder's certificate(s) representing shares of the Preferred Stock must be presented upon such redemption.

See "Regulatory Matters" for a description of possible regulatory restrictions on Freddie Mac's redemption of the Preferred Stock.

From and after the redemption date, the shares of Preferred Stock called for redemption will no longer be deemed outstanding, and all rights of the holders thereof as holders of the Preferred Stock will cease.

Regulatory Matters

Neither Freddie Mac's right to declare dividends on nor its right to redeem the Preferred Stock is currently subject to prior regulatory approval. Under the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (the "GSE Act"), the exercise of these rights may be subject to regulatory approval only if the Corporation fails to meet applicable capital standards.

The GSE Act established minimum capital, critical capital and risk-based capital standards for the Corporation.

The GSE Act has required the Corporation to maintain "core capital" in an amount that equals or exceeds the levels established under the minimum and critical capital standards since the GSE Act was enacted. In June 1996, the Director (the "Director") of the Office of Federal Housing Enterprise Oversight ("OFHEO") issued a final minimum capital regulation that interprets the minimum capital standard and implements a calculation methodology similar to the methodology OFHEO applied on an interim basis since the GSE Act was enacted.

The GSE Act does not require the Corporation to maintain "total capital" at a level that equals or exceeds the risk-based capital standard until the Director issues a final risk-based capital regulation establishing the risk-based capital stress test (and the risk-based capital level cannot be determined from the GSE Act alone). OFHEO issued the proposed risk-based capital regulation in two portions — the first in June 1996 and the second in April 1999. Following the submission and consideration of public comments on the proposals, OFHEO will determine whether to issue a final regulation or a revised proposal. Under the GSE Act, the final regulation will become effective immediately upon issuance. However, as described below, various aspects of OFHEO's capital-related authority do not become effective until one year after OFHEO issues a final risk-based capital regulation.

Subject to the applicability of the risk-based capital standard described above, the Corporation may pay a dividend without prior OFHEO approval if the payment would not decrease the total capital of the Corporation to an amount less than the risk-based capital level for the Corporation and would not decrease the core capital level to an amount less than the minimum capital level for the Corporation. Beginning one year after the final risk-based capital regulation is issued, if the Corporation's total capital is less than the risk-based capital level, but its core capital equals or exceeds the minimum capital level, the Corporation is prohibited from making a dividend payment that would decrease its core capital to an amount less than the minimum capital level. At any time, if the Corporation's core capital is less than the minimum capital level, the Corporation may make a dividend payment only if the Director determines that the dividend payment satisfies certain statutory standards and if the Director approves the payment, and under these circumstances the Corporation is prohibited from making any dividend payment that would decrease the Corporation's core capital to less than the critical capital level.

In addition to the preceding requirements that relate directly to the payment of dividends, the Director has authority, under certain conditions, to require the Corporation to submit for the Director's approval a capital restoration plan or to restrict the Corporation's activities, either of which also could affect the payment of dividends. Specifically, if the Director determines, after the risk-based capital regulation has been in effect for one year, that the Corporation fails to meet the risk-based capital standard, or if the Director determines, at any time, that the Corporation fails to meet the minimum capital standard, the Corporation will be required to submit for the Director's approval a capital restoration plan setting forth a feasible plan for restoring the Corporation's capital level. In addition, if the Corporation at any time fails to meet the minimum capital standard, the Director is authorized to impose various limitations on the Corporation's activities. If, at any time, the Director determines that the Corporation fails to meet the critical capital standard, the Director may appoint a conservator for the Corporation. The GSE Act provides that any such conservator will have all the powers of the shareholders, directors and officers of the Corporation, unless the Director provides otherwise.

If the Director does not approve a required capital restoration plan or determines that the Corporation has failed to make reasonable efforts to comply with such a plan, then the Director may treat the Corporation as not meeting capital standards that it otherwise meets and take the actions authorized when the Corporation does not meet such standards. Similarly, beginning one year after OFHEO issues a final risk-based capital rule, if the Director determines that the Corporation is engaging in conduct not approved by the Director that could result in a rapid depletion of core capital or that the value of the property subject to mortgages held or securitized by the Corporation has decreased significantly, the Director is authorized to treat the Corporation as not meeting capital standards that it otherwise meets.

If the Corporation fails to meet or is treated by the Director as not meeting applicable capital standards and the Director has reasonable cause to believe that the Corporation or any executive officer or director of the Corporation is engaging in or about to engage in any conduct (which could include the payment of dividends) that threatens to result in a material depletion of the Corporation's core capital, then the Director is authorized to commence proceedings pursuant to which, after a hearing, the Director could issue a cease and desist order prohibiting such conduct. If the Director determines that the conduct in question is likely to cause a significant depletion of core capital, the Director can issue such an order without a hearing, which would be effective until completion of the cease-and-desist proceedings, and can do so without regard to whether the Corporation meets all applicable capital standards.

The Director has the authority to require the Corporation to submit a report to the Director regarding any capital distribution (including any dividend) declared by the Corporation before the Corporation makes the distribution.

The foregoing discussion with respect to the payment of dividends is equally applicable to Freddie Mac's redemption of the Preferred Stock and is based on Freddie Mac's understanding and interpretations of the relevant provisions of the GSE Act. OFHEO has not yet issued any definitive guidance as to its interpretations of these provisions of the GSE Act. Until OFHEO has provided such guidance, there can be no assurance that the foregoing discussion will be consistent with OFHEO's interpretation in every respect. A more detailed discussion of the regulatory oversight of Freddie Mac's capitalization and the terms used above appears under "Regulation and Governmental Relationships — Regulation of Freddie Mac — OFHEO Oversight" in the Information Statement.

No Preemptive Rights and No Conversion

No holder of the Preferred Stock will have any preemptive right to purchase or subscribe for any other shares, rights, options or other securities of any class of Freddie Mac which at any time may be sold or offered for sale by Freddie Mac. The holders of shares of Preferred Stock will not have any right to convert such shares into or exchange such shares for any other class or series of stock or obligations of Freddie Mac.

No Voting Rights

Section 306(f) of the Freddie Mac Act prohibits the holders of Preferred Stock from voting with respect to the election of any member of the Board of Directors. Except as set forth under "Amendments" below, the holders of the Preferred Stock will not be entitled to vote.

Liquidation Rights

Upon any voluntary or involuntary dissolution, liquidation or winding up of Freddie Mac, after payment or provision for the liabilities of Freddie Mac and the expenses of such dissolution, liquidation or winding up, the holders of the outstanding shares of the Preferred Stock will be entitled to receive out of the assets of Freddie Mac available for distribution to stockholders, before any payment or distribution is made on the Common Stock (or any other junior stock), the amount of \$50.00 per share plus an amount equal to the dividend (calculated as provided in the Certificate of Designation) for the then-current quarterly Dividend Period accrued through and including the date of such liquidation payment. In the event of the dissolution, liquidation or winding up of Freddie Mac, the rights of the Preferred Stock are on a parity with those of the Existing Preferred Stock. If the assets of Freddie Mac available for distribution in such event are insufficient to pay in full the aggregate amount payable to holders of the Preferred Stock, the Existing Preferred Stock and any other class or series of stock ranking on a parity upon liquidation with the Preferred Stock and the Existing Preferred Stock, the assets will be distributed to the holders of Preferred Stock, the Existing Preferred Stock and such parity stock pro rata, based on the amounts to which they are entitled.

Notwithstanding the foregoing, holders of the Preferred Stock will not be entitled to be paid any amount in respect of a dissolution, liquidation or winding up of Freddie Mac until holders of any classes or series of stock of Freddie Mac ranking prior to the Preferred Stock upon liquidation have been paid all amounts to which such classes or series are entitled.

A consolidation, merger or combination of Freddie Mac with or into any other corporation or entity, or the sale of all or substantially all of the property or business of Freddie Mac, will not be deemed to be a liquidation, dissolution or winding up of Freddie Mac for purposes of these provisions on liquidation rights.

Additional Classes or Series of Stock

Freddie Mac will have the right to create and issue additional classes or series of stock ranking prior to, on a parity with or junior to the Preferred Stock, as to dividends, liquidation or otherwise, without the consent of holders of the Preferred Stock.

Amendments

Without the consent of the holders of the Preferred Stock, Freddie Mac will have the right to amend, alter, supplement or repeal any terms of the Preferred Stock to cure any ambiguity, to correct or supplement any term which may be defective or inconsistent with any other term or to make any other provisions so long as such action does not materially and adversely affect the interests of the holders of the Preferred Stock. Otherwise, the terms of the Preferred Stock may be amended, altered, supplemented or repealed only with the consent of the holders of at least two-thirds of the outstanding shares of Preferred Stock. On matters requiring their consent, holders of the Preferred Stock will be entitled to one vote per share.

NYSE Listing

Application has been made to list the Preferred Stock on the NYSE. Approval of such application will be subject, among other things, to satisfactory distribution of the Preferred Stock.

CERTAIN FEDERAL INCOME TAX CONSEQUENCES

The Preferred Stock and payments thereon are generally subject to taxation by the United States and other taxing jurisdictions to the same extent and in the same manner as stock of and payments thereon by any other corporation. The following discussion addresses some of the U.S. federal income tax consequences that may result from ownership of the Preferred Stock by a U.S. person who holds the Preferred Stock as a capital asset. For this purpose, a U.S. person is an individual who is a citizen or resident of the United States for federal income tax purposes, a corporation, partnership or other type of entity organized under the laws of the United States or any State (other than a partnership that is not treated as a U.S. person under any applicable Treasury regulations), an estate whose income is subject to U.S. federal income tax regardless of its source, or a trust if a court within the United States is able to exercise primary supervision of the administration of the trust and one or more U.S. persons have the authority to control all substantial decisions of the trust. Notwithstanding the preceding sentence, to the extent provided in Treasury regulations, certain trusts in

existence on August 20, 1996, and treated as U.S. persons prior to such date, that elect to continue to be treated as U.S. persons, also will be U.S. persons. This discussion does not purport to address all rules which may apply to particular investors. Investors are encouraged to consult their own tax advisors regarding the federal, state, local and foreign tax considerations applicable to an investment in the Preferred Stock.

This discussion reflects current federal income tax laws and regulations and administrative and judicial interpretations thereof. Changes to any of these subsequent to the date of this Offering Circular may affect the tax consequences described herein, possibly retroactively.

Dividends

Distributions on the Preferred Stock which are paid out of current earnings and profits, or earnings and profits accumulated after 1984, generally constitute dividends taxable as ordinary income. To the extent that the amount of any distribution paid on a share of Preferred Stock exceeds the current or accumulated earnings and profits for federal income tax purposes attributable to that share, such excess will be treated first as a return of capital (rather than as ordinary income) and will be applied against and reduce the holder's adjusted tax basis in that share of Preferred Stock. Any such amount in excess of the holder's adjusted tax basis will then be taxed as capital gain. For purposes of the remainder of this discussion, it is assumed that dividends paid with respect to the Preferred Stock will constitute dividends for U.S. federal income tax purposes.

Dividends received by corporations generally will be eligible for the dividends-received deduction. The dividends-received deduction is available only with respect to a dividend received on stock held for more than 45 days (or more than 90 days in the case of a dividend on preferred stock attributable to periods aggregating in excess of 366 days), including the day of disposition but not the day of acquisition. This holding period must be satisfied during the 90-day period (180-day period in the case of a preferred stock dividend attributable to periods aggregating in excess of 366 days) beginning on the date which is 45 (90) days before the date on which the stock becomes ex-dividend with respect to the dividend. The length of time that a corporate shareholder is deemed to have held stock for these purposes is reduced for periods during which the shareholder's risk of loss with respect to the stock is diminished by reason of the existence of certain options, contracts to sell, short sales or other similar transactions. The amount of such deduction generally will equal 70 percent of the amount of the dividends received, subject to reduction in certain events, including where a holder has indebtedness outstanding that is directly attributable to an investment in the Preferred Stock. For this purpose, indebtedness of a depository institution attributable to deposits received in the ordinary course of its business is not treated as indebtedness directly attributable to an investment in the Preferred Stock.

For purposes of the corporate alternative minimum tax, alternative minimum taxable income is increased by 75 percent of the amount by which a corporation's adjusted current earnings exceeds its alternative minimum taxable income prior to the addition of the applicable tax preference item. The amount of any dividend that is included in a corporate shareholder's adjusted current earnings will not be reduced by any dividends-received deduction otherwise allowable with respect to that dividend.

Dispositions, Including Redemptions

Any sale, exchange, redemption (except as discussed below) or other disposition of the Preferred Stock generally will result in taxable gain or loss equal to the difference between the amount received and the shareholder's adjusted tax basis in the Preferred Stock. Such gain or loss generally will be capital gain or loss and will be long-term capital gain or loss if the holding period for the Preferred Stock exceeds one year.

A redemption of Preferred Stock may be treated as a dividend, rather than as payment in exchange for the Preferred Stock, unless the redemption is "not essentially equivalent to a dividend" with respect to the holder within the meaning of section 302(b)(1) of the Code. In applying this standard, the holder must take into account not only the Preferred Stock and other stock of Freddie Mac that it owns directly, but also the Preferred Stock and other stock of Freddie Mac that it constructively owns within the meaning of section 318 of the Code. A redemption payment made to a holder will be "not essentially equivalent to a dividend" if it results in a "meaningful reduction" in the holder's aggregate stock interest in Freddie Mac. Because of the ambiguities in applying this rule, each holder should consult its own tax advisor to determine whether a redemption of Preferred Stock will be treated as a dividend or as payment in exchange for the Preferred Stock. If the redemption payment is treated as a dividend, the rules discussed above under "Dividends" apply.

Information Reporting and Backup Withholding

Payments of dividends on shares of Preferred Stock held of record by U.S. persons other than corporations and other exempt holders are required to be reported to the IRS.

Backup withholding of U.S. federal income tax at a rate of 31 percent may apply to payments made with respect to shares of Preferred Stock, as well as payments of proceeds from the sale of shares of Preferred Stock, to holders that are not “exempt recipients” and that fail to provide certain identifying information (such as the taxpayer identification number of the holder) in the manner required. Individuals generally are not exempt recipients, whereas corporations and certain other entities generally are exempt recipients.

LEGAL INVESTMENT CONSIDERATIONS

Section 106 of the Secondary Mortgage Market Enhancement Act of 1984 (“SMMEA”) provides that any person, trust, corporation, partnership, association, business trust or business entity created pursuant to or existing under the laws of the United States or any state (including the District of Columbia and Puerto Rico) is authorized to purchase, hold and invest in securities issued or guaranteed by Freddie Mac (including the shares of Preferred Stock) to the same extent that the investor is authorized to purchase, hold or invest in obligations issued or guaranteed as to principal and interest by the United States or any agency or instrumentality thereof. Prior to October 4, 1991, states were authorized by SMMEA to enact legislation which specifically referred to §106 and either prohibited or limited an investor’s authority to purchase, hold or invest in securities issued or guaranteed by Freddie Mac. 15 U.S.C. §77r-1. Certain states enacted such legislation limiting to varying extents the ability of certain entities (in most cases, insurance companies) to invest in securities issued or guaranteed by Freddie Mac, including the shares of Preferred Stock.

Notwithstanding the preceding paragraph, investors should consult their own legal advisors in determining whether and to what extent the shares of Preferred Stock constitute legal investments for such investors and whether and to what extent the shares of Preferred Stock can be used as collateral for various types of borrowings. The foregoing does not take into consideration the application of statutes, regulations, orders, guidelines or agreements generally governing investments made by a particular investor, including but not limited to “prudent investor” provisions, safety and soundness conditions and percentage-of-assets limits. In addition, financial institutions should consult their legal advisors or regulators in determining the appropriate treatment of the shares of Preferred Stock under any applicable risk-based capital or similar rules. Institutions whose investment activities are subject to legal investment laws and regulations or to review by regulatory authorities may be subject to restrictions on investments in the shares of Preferred Stock. An institution under the jurisdiction of the Comptroller of the Currency, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of Thrift Supervision, the National Credit Union Administration, the Department of the Treasury or any other federal or state agency with similar authority should review any applicable regulations, policy statements and guidelines before purchasing or pledging the shares of Preferred Stock.

UNDERWRITING

Subject to the terms and conditions set forth in an underwriting agreement (the “Underwriting Agreement”), the Corporation has agreed to sell to each of the Underwriters named below, and each of the Underwriters, for whom Goldman, Sachs & Co. are acting as representatives, has severally agreed to purchase from the Corporation the respective number of shares of Preferred Stock set forth opposite its name below.

<u>Underwriter</u>	<u>Number of Shares of Preferred Stock</u>
Goldman, Sachs & Co.	2,625,000
Lehman Brothers Inc.	1,375,000
First Tennessee Bank National Association.....	750,000
Blaylock & Partners, L.P.	<u>250,000</u>
Total.....	<u>5,000,000</u>

Under the terms of the Underwriting Agreement, the several Underwriters are committed to take and pay for all of the shares of Preferred Stock offered hereby, if any are taken.

The Underwriters propose to offer the Preferred Stock in part directly to the public at the initial offering price set forth on the cover page of this Offering Circular and in part to certain dealers at such price less a concession not in excess of \$0.325 per share. The Underwriters may allow, and such dealers may reallow, a concession not in excess of \$0.125 per share on sales to certain brokers and dealers. After the shares of Preferred Stock are released for sale to the public, the offering price and other selling terms may from time to time be varied by the Underwriters.

The Corporation has granted the Underwriters an option exercisable for seven days after the date of this Offering Circular to purchase up to an aggregate of 750,000 additional shares of Preferred Stock solely to cover over-allotments, if any. If the Underwriters exercise their over-allotment option, the Underwriters have severally agreed, subject to certain conditions, to purchase approximately the same percentage thereof that the number of shares to be purchased by each of them, as shown in the foregoing table, bears to the 5,000,000 shares of Preferred Stock offered.

Prior to this offering, there has been no public market for the Preferred Stock. Application has been made to list the Preferred Stock on the NYSE. Trading of the Preferred Stock on the NYSE is expected to commence within a fourteen-day period after the initial delivery of the Preferred Stock. The Underwriters have advised the Corporation that they intend to make a market in the Preferred Stock prior to the commencement of trading on the NYSE, but are not obliged to do so and may discontinue any such market making at any time without notice.

In connection with the offering, the Underwriters may purchase and sell the Preferred Stock in the open market. These transactions may include over-allotment and stabilizing transactions and purchases to cover syndicate short positions created in connection with the offering. Stabilizing transactions consist of certain bids or purchases for the purpose of preventing or retarding a decline in the market price of the Preferred Stock; and syndicate short positions involve the sale by the Underwriters of a greater number of shares of Preferred Stock than they are required to purchase from Freddie Mac in the offering. The Underwriters also may impose a penalty bid, whereby selling concessions allowed to syndicate members or other broker-dealers in respect of the securities sold in the offering for their account may be reclaimed by the syndicate if such shares of Preferred Stock are repurchased by the Underwriters in stabilizing or covering transactions. These activities may stabilize, maintain or otherwise affect the market price of the Preferred Stock, which may be higher than the price that might otherwise prevail in the open market; and these activities, if commenced, may be discontinued at any time. These transactions may be effected on the NYSE, in the over-the-counter market or otherwise.

The Corporation has agreed to indemnify the Underwriters against certain liabilities in connection with the offering and sale of the Preferred Stock.

Certain of the Underwriters, dealers or agents may engage in transactions with, and perform services for, the Corporation in the ordinary course of business.

RATING

Moody's is expected to assign the Preferred Stock a rating of "aa3." A rating of "aa" is the second highest rating that Moody's assigns to preferred stock. An issue which is rated "aa" is considered by Moody's to be a "high-grade preferred stock." According to Moody's, this rating indicates that "there is a reasonable assurance the earnings and asset protection will remain relatively well maintained in the foreseeable future." The numerical modifier "3" indicates that the issue ranks in the lower end of the generic rating category of "aa." S&P is expected to assign the Preferred Stock a rating of "AA-." A rating of "AA" is the second highest rating that S&P assigns to preferred stock. An issue which is rated "AA" is considered by S&P to be a "high-quality, fixed-income security." According to S&P, this rating indicates that "the capacity to pay preferred stock dividends is very strong, although not as overwhelming as for issues rated AAA." The addition of the minus (—) sign indicates that the issue ranks in the lower end of the generic rating category "AA." A security rating is not a recommendation to buy, sell or hold securities and may be subject to revision or withdrawal at any time by the assigning rating organization.

INDEPENDENT PUBLIC ACCOUNTANTS

The Consolidated Financial Statements of the Corporation included in the Information Statement have been audited by Arthur Andersen LLP, independent public accountants, as indicated in their report with respect thereto.

LEGAL MATTERS

The validity of the Preferred Stock will be passed upon for the Corporation by Maud Mater, Esq., Executive Vice President-General Counsel and Secretary of the Corporation. As of September 30, 1999, Ms. Mater was the beneficial owner of 78,497 shares of Common Stock and options covering an additional 127,417 shares of Common Stock. Certain legal matters relating to the Preferred Stock will be passed upon for the Underwriters by Cleary, Gottlieb, Steen & Hamilton.

FREDDIE MAC

**CERTIFICATE OF CREATION, DESIGNATION, POWERS,
PREFERENCES, RIGHTS, PRIVILEGES, QUALIFICATIONS,
LIMITATIONS, RESTRICTIONS, TERMS AND CONDITIONS
of
VARIABLE RATE, NON-CUMULATIVE PREFERRED STOCK
(Par Value \$1.00 Per Share)**

I, MAUD MATER, Secretary of the Federal Home Loan Mortgage Corporation, a government-sponsored enterprise of the United States of America ("Freddie Mac" or the "Corporation"), do hereby certify that, pursuant to authority vested in the Board of Directors of Freddie Mac by Section 306(f) of the Federal Home Loan Mortgage Corporation Act, as amended (12 U.S.C. §1455(f)), the Board of Directors adopted FHLMC Resolution 99-07 on March 5, 1999 and adopted FHLMC Resolution 99-22 on September 10, 1999, which resolutions are now, and at all times since such date have been, in full force and effect, and that the Chairman and Chief Executive Officer, pursuant to the authority delegated to him by such resolutions, approved the final terms of the public issuance and sale of the preferred stock of Freddie Mac designated above.

The Variable Rate, Non-Cumulative Preferred Stock shall have the following designation, powers, preferences, rights, privileges, qualifications, limitations, restrictions, terms and conditions:

1. Designation, Par Value, Number of Shares and Seniority

The class of preferred stock of Freddie Mac created hereby (the "Non-Cumulative Preferred Stock") shall be designated "Variable Rate, Non-Cumulative Preferred Stock," shall have a par value of \$1.00 per share and shall consist of 5 million shares.* The Board of Directors shall be permitted to increase the authorized number of such shares at any time. The Non-Cumulative Preferred Stock shall rank prior to the Voting Common Stock of Freddie Mac (the "Common Stock") to the extent provided in this Certificate and shall rank, both as to dividends and upon liquidation, on a parity with the 5.79% Non-Cumulative Preferred Stock issued on July 21, 1999, the 5.1% Non-Cumulative Preferred Stock issued on March 9, 1999, the 5.3% Non-Cumulative Preferred Stock issued on October 28, 1998, the Variable Rate, Non-Cumulative Preferred Stock issued on September 23, 1998 and September 29, 1998, the 5.1% Non-Cumulative Preferred Stock issued on September 23, 1998, the 5% Non-Cumulative Preferred Stock issued on March 23, 1998, the 5.81% Non-Cumulative Preferred Stock issued on October 27, 1997, the 6.14% Non-Cumulative Preferred Stock issued on June 3, 1997 and the 6.125% Non-Cumulative Preferred Stock issued on November 1, 1996 and the Variable Rate, Non-Cumulative Preferred Stock issued, on April 26, 1996 (collectively, the "Existing Preferred Stock").

2. Dividends

(a) Holders of outstanding shares of Non-Cumulative Preferred Stock will be entitled to receive, ratably, non-cumulative quarterly cash dividends which will accrue from but not including November 5, 1999 and will be payable on March 31, June 30, September 30 and December 31 of each year (each, a "Dividend Payment Date"), commencing December 31, 1999, when as and if declared by the Board of Directors in its sole discretion, out of funds legally available for dividend payments. If a Dividend Payment Date is not a "Business Day," the related dividend will be paid on the next Business Day with the same force and effect as though paid on the Dividend Payment Date, without any increase to account for the period from such Dividend Payment Date through the date of actual payment. For these purposes, "Business Day" means a day other than (i) a Saturday or a Sunday, (ii) a day on which New York City banks are closed or (iii) a day on which the offices of Freddie Mac are closed. Dividends will be paid to holders of record on the record date fixed by the Board of Directors, not to be earlier than 45 days or later than 10 days preceding the applicable Dividend Payment Date.

* Plus up to 750,000 additional shares pursuant to Underwriters' overallotment option.

The dividend rate for the period from November 5, 1999 through and including December 31, 2004 will be 5.97%. Thereafter, dividends will accrue at a variable per annum rate (not greater than 11%) equal to the “CMT Rate” (as defined below). On January 1, 2005, and on January 1 every five years thereafter, the previous dividend rate will be replaced by the then-current CMT Rate. The CMT Rate for each five-year period will be determined by Freddie Mac on the second Business Day immediately preceding the first day of such period (each, a “CMT Determination Date”). If declared, the initial dividend, which will be for the “Dividend Period” from but not including November 5, 1999 through and including December 31, 1999, will be \$0.456 per share and will be payable on December 31, 1999. Thereafter, the “Dividend Period” relating to a Dividend Payment Date will be the period from but not including the preceding Dividend Payment Date through and including the related Dividend Payment Date. The amount of dividends payable for any period shorter than a full Dividend Period shall be computed on the basis of twelve 30-day months and a 360-day year. If Freddie Mac redeems the Non-Cumulative Preferred Stock, the dividend that would otherwise be payable for the Dividend Period ending on the date of redemption will be included in the redemption price of the shares redeemed and will not be separately payable.

(b) The “CMT Rate” for any CMT Determination Date will be the rate (not greater than 11%) equal to:

(i) the weekly average interest rate of U.S. Treasury securities having an index maturity of five years for the week that ends immediately before the week in which the relevant CMT Determination Date falls, as such rate appears on page “7052” on Telerate (or such other page as may replace the 7052 page on that service or any successor service) under the heading “. . . Treasury Constant Maturities . . . Federal Reserve Board Release H.15 . . . Mondays Approximately 3:45 p.m.”

(ii) If the applicable rate described in clause (i) above is not displayed on Telerate page 7052 at 3:00 p.m., New York City time, on the relevant CMT Determination Date, then the CMT Rate will be the Treasury constant maturity rate applicable to a five-year index maturity for the weekly average as published in H.15(519) (as defined below).

(iii) If the applicable rate described in clause (ii) above does not appear in H.15(519) at 3:00 p.m., New York City time, on the relevant CMT Determination Date, then the CMT Rate will be the Treasury constant maturity rate, or other U.S. Treasury rate, applicable to a five-year index maturity with reference to the relevant CMT Determination Date, that:

(A) is published by the Board of Governors of the Federal Reserve System, or the U.S. Department of the Treasury; and

(B) is determined by Freddie Mac to be comparable to the applicable rate formerly displayed on Telerate page 7052 and published in H.15(519).

(iv) If the rate described in clause (iii) above does not appear at 3:00 p.m., New York City time, on the relevant CMT Determination Date, then the CMT Rate will be the yield to maturity of the arithmetic mean of the secondary market offered rates for Treasury notes having an original maturity of approximately five years and a remaining term to maturity of not less than four years, and in a representative amount, as of approximately 3:30 p.m., New York City time, on the relevant CMT Determination Date, as quoted by three primary U.S. government securities dealers in New York City selected by Freddie Mac. In selecting these offered rates, Freddie Mac will request quotations from five primary dealers and will disregard the highest quotation — or, if there is equality, one of the highest — and the lowest quotation — or, if there is equality, one of the lowest. Treasury notes are direct, non-callable, fixed rate obligations of the U.S. government.

(v) If Freddie Mac is unable to obtain three quotations of the kind described in clause (iv) above, the CMT Rate will be the yield to maturity of the arithmetic mean of the secondary market offered rates for Treasury notes with an original maturity longer than five years and a remaining term to maturity closest to five years, and in a representative amount, as of approximately 3:30 p.m., New York City time, on the relevant CMT Determination Date, as quoted by three primary U.S. government securities dealers in New York City selected by Freddie Mac. In selecting these offered rates, Freddie Mac will request quotations from five primary dealers and will disregard the highest quotation — or, if there is equality, one of the highest — and the lowest quotation — or, if there is equality, one of the lowest. If two Treasury

notes with an original maturity longer than five years have remaining terms to maturity that are equally close to five years, Freddie Mac will obtain quotations for the Treasury note with the shorter remaining term to maturity.

(vi) If fewer than five but more than two primary dealers are quoting offered rates as described above in clause (v), then the CMT Rate for the relevant CMT Determination Date will be based on the arithmetic mean of the offered rates so obtained, and neither the highest nor the lowest of those quotations will be disregarded.

(vii) If two or fewer primary dealers are quoting offered rates as described above in clause (v), the CMT Rate in effect for the new Dividend Period will be the CMT Rate in effect for the prior Dividend Period.

“H.15(519)” means the weekly statistical release entitled “Statistical Release H.15(519),” or any successor publication, published by the Board of Governors of the Federal Reserve System.

Absent manifest error, Freddie Mac’s determination of the CMT Rate will be final and binding.

No dividends shall be declared or paid or set apart for payment on the Common Stock or any other class or series of stock ranking junior to or (except as hereinafter provided) on a parity with the Non-Cumulative Preferred Stock with respect to the payment of dividends unless dividends have been declared and paid or set apart (or ordered by the Board of Directors to be set apart) for payment on the outstanding Non-Cumulative Preferred Stock in respect of the then-current Dividend Period; provided, however, that the foregoing dividend preference shall not be cumulative and shall not in any way create any claim or right in favor of the holders of Non-Cumulative Preferred Stock in the event that Freddie Mac shall not have declared or paid or set apart (or the Board of Directors shall not have ordered to be set apart) dividends on the Non-Cumulative Preferred Stock in respect of any prior Dividend Period. In the event that Freddie Mac shall not pay any one or more dividends or any part thereof on the Non-Cumulative Preferred Stock, the holders of the Non-Cumulative Preferred Stock shall not have any claim in respect of such non-payment so long as no dividend is paid on any junior or parity stock in violation of the next preceding sentence.

(c) If, prior to May 5, 2001, one or more amendments to the Internal Revenue Code of 1986, as amended (the “Code”), are enacted that reduce or eliminate the percentage of the dividends-received deduction as specified in section 243(a)(1) of the Code or any successor provision (the “Dividends-Received Percentage”), including any change applicable only to certain categories of stock, which change is applicable to the Preferred Stock, certain adjustments may be made in respect of the dividends payable by the Corporation, and Post Declaration Date Dividends and Retroactive Dividends (as such terms are defined below) may become payable, as described below.

The amount of each dividend payable (if declared) per share of Non-Cumulative Preferred Stock for dividend payments made on or after the effective date of such change in the Code will be adjusted by multiplying the amount of the dividend payable pursuant to Section 2(a) (before adjustment) by a factor, which shall be the number determined in accordance with the following formula (the “DRD Formula”), and rounding the result to the nearest cent (with one-half cent rounded up):

$$\frac{1-.35(1-.70)}{1-.35(1-DRP)}$$

For the purposes of the DRD Formula, “DRP” means the Dividends-Received Percentage (expressed as a decimal) applicable to the dividend in question; *provided, however*, that if the Dividends-Received Percentage applicable to the dividend in question is less than 50%, then the DRP will equal .50. In the event an adjustment to any dividend payable on the Non-Cumulative Preferred Stock is made pursuant to this Section 2(c), the resulting dividend rate may exceed 11% per annum. No amendment to the Code, other than a change in the percentage of the dividends-received deduction set forth in section 243(a)(1) of the Code or any successor provision, or a change in the percentage of the dividends-received deduction for certain categories of stock, which change is applicable to the Preferred Stock, will give rise to an adjustment.

Notwithstanding the foregoing provisions, if, with respect to any such amendment, the Corporation receives either an unqualified opinion of nationally recognized independent tax counsel selected by the Corporation or a private letter ruling or similar form of assurance from the Internal Revenue Service (the

“IRS”) to the effect that such an amendment does not apply to a dividend payable on the Non-Cumulative Preferred Stock, then such amendment shall not result in the adjustment provided for pursuant to the DRD Formula with respect to such dividend. The opinion referenced in the previous sentence shall be based upon the legislation amending or establishing the DRP or upon a published pronouncement of the IRS addressing such legislation. Unless the context otherwise requires, references to dividends herein shall mean dividends as adjusted by the DRD Formula. The Corporation’s calculation of the dividends payable as so adjusted shall be final and not subject to review, absent manifest error.

Notwithstanding the foregoing, if any such amendment to the Code is enacted after the dividend payable on a Dividend Payment Date has been declared but before such dividend is paid, the amount of the dividend payable on such Dividend Payment Date shall not be increased. Instead, additional dividends (the “Post Declaration Date Dividends”), equal to the excess, if any, of (x) the product of the dividend paid by the Corporation on such Dividend Payment Date and the DRD Formula (where the DRP used in the DRD Formula would be equal to the greater of the Dividends-Received Percentage applicable to the dividend in question and .50) over (y) the dividend paid by the Corporation on such Dividend Payment Date, shall be payable (if declared) to holders of Non-Cumulative Preferred Stock on the record date applicable to the next succeeding Dividend Payment Date, in addition to any other amounts payable on such date.

If any such amendment to the Code is enacted and the reduction in the Dividends-Received Percentage retroactively applies to a Dividend Payment Date as to which the Corporation previously paid dividends on the Non-Cumulative Preferred Stock (each, an “Affected Dividend Payment Date”), the Corporation shall pay (if declared) additional dividends (the “Retroactive Dividends”) to holders on the record date applicable to the next succeeding Dividend Payment Date (or, if such amendment is enacted after the dividend payable on such Dividend Payment Date has been declared, to holders on the record date applicable to the second succeeding Dividend Payment Date following the date of enactment) in an amount equal to the excess of (x) the product of the dividend paid by the Corporation on each Affected Dividend Payment Date and the DRD Formula (where the DRP used in the DRD Formula would be equal to the greater of the Dividends-Received Percentage and .50 applied to each Affected Dividend Payment Date) over (y) the sum of the dividend paid by the Corporation on each Affected Dividend Payment Date. The Corporation will make only one payment of Retroactive Dividends for any such amendment. Notwithstanding the foregoing provisions, if, with respect to any such amendment, the Corporation receives either an unqualified opinion of nationally recognized independent tax counsel selected by the Corporation or a private letter ruling or similar form of assurance from the IRS to the effect that such amendment does not apply to a dividend payable on an Affected Dividend Payment Date for the Non-Cumulative Preferred Stock, then such amendment will not result in the payment of Retroactive Dividends with respect to such Affected Dividend Payment Date. The opinion referenced in the previous sentence must be based upon the legislation amending or establishing the DRP or upon a published pronouncement of the IRS addressing such legislation.

In the event that the amount of dividends payable per share of the Non-Cumulative Preferred Stock is adjusted pursuant to the DRD Formula and/or Post Declaration Date Dividends or Retroactive Dividends are to be paid, the Corporation will give notice of each such adjustment and, if applicable, any Post Declaration Date Dividends and Retroactive Dividends to be given as soon as practicable to the holders of Non-Cumulative Preferred Stock.

(d) Notwithstanding any other provision of this Certificate, the Board of Directors, in its discretion, may choose to pay dividends on the Non-Cumulative Preferred Stock without the payment of any dividends on the Common Stock or any other class or series of stock from time to time outstanding ranking junior to the Non-Cumulative Preferred Stock with respect to the payment of dividends.

(e) No dividend shall be declared or paid or set apart for payment on any shares of the Non-Cumulative Preferred Stock if at the same time any arrears or default exists in the payment of dividends on any outstanding class or series of stock of Freddie Mac ranking prior to or (except as provided herein) on a parity with the Non-Cumulative Preferred Stock with respect to the payment of dividends. If and whenever dividends, having been declared, shall not have been paid in full, as aforesaid, on shares of the Non-Cumulative Preferred Stock and on the shares of any other class or series of stock of Freddie Mac ranking on a parity with the Non-Cumulative Preferred Stock with respect to the payment of dividends, all such dividends that have been declared on shares of the Non-Cumulative Preferred Stock and on the shares of

any such other class or series shall be paid pro rata, so that the respective amounts of dividends paid per share on the Non-Cumulative Preferred Stock and on such other class or series shall in all cases bear to each other the same ratio that the respective amounts of dividends declared but unpaid per share on the shares of the Non-Cumulative Preferred Stock (including any adjustments due to changes in the Dividends-Received Percentage) and on the shares of such other class or series bear to each other.

(f) Holders of shares of the Non-Cumulative Preferred Stock shall not be entitled to any dividends, in cash or in property, other than as herein provided and shall not be entitled to interest, or any sum in lieu of interest, on or in respect of any dividend payment.

3. Optional Redemption

(a) The Non-Cumulative Preferred Stock shall not be redeemable prior to December 31, 2004. On that date and on December 31 every five years thereafter, subject to the notice provisions set forth in Section 3(b) below and subject to any further limitations which may be imposed by law, Freddie Mac may redeem the Non-Cumulative Preferred Stock, in whole or in part, out of funds legally available therefor, at the redemption price of \$50.00 per share plus an amount, determined in accordance with Section 2 above, equal to the amount of the dividend that would otherwise be payable for the Dividend Period ending on the date of such redemption. If less than all of the outstanding shares of the Non-Cumulative Preferred Stock are to be redeemed, Freddie Mac shall select shares to be redeemed from the outstanding shares not previously called for redemption by lot or pro rata (as nearly as possible) or by any other method which Freddie Mac in its sole discretion deems equitable.

(b) In the event Freddie Mac shall redeem any or all of the Non-Cumulative Preferred Stock as aforesaid, notice of such redemption shall be given by Freddie Mac by first class mail, postage prepaid, mailed neither less than 30 nor more than 60 days prior to the redemption date, to each holder of record of the shares of the Non-Cumulative Preferred Stock being redeemed, at such holder's address as the same appears in the books and records of Freddie Mac. Each such notice shall state the number of shares being redeemed, the redemption price, the redemption date and the place at which such holder's certificate(s) representing shares of the Non-Cumulative Preferred Stock must be presented for cancellation or exchanges, as the case may be, upon such redemption. Failure to give notice, or any defect in the notice, to any holder of the Non-Cumulative Preferred Stock shall not affect the validity of the proceedings for the redemption of shares of any other holder of Non-Cumulative Preferred Stock being redeemed.

(c) Notice having been mailed as aforesaid, from and after the redemption date specified therein and upon payment of the consideration set forth in Section 3(a) above, said shares of the Non-Cumulative Preferred Stock shall no longer be deemed to be outstanding, and all rights of the holders thereof as holders of the Non-Cumulative Preferred Stock shall cease, with respect to shares so redeemed.

(d) Any shares of the Non-Cumulative Preferred Stock which shall have been redeemed shall, after such redemption, no longer have the status of authorized, issued or outstanding shares.

4. No Voting Rights

Except as set forth in Section 9(h) below, the shares of the Non-Cumulative Preferred Stock shall not have any voting powers, either general or special.

5. No Conversion or Exchange Rights

The holders of shares of the Non-Cumulative Preferred Stock shall not have any right to convert such shares into or exchange such shares for any other class or series of stock or obligations of Freddie Mac.

6. No Preemptive Rights

No holder of the Non-Cumulative Preferred Stock shall as such holder have any preemptive right to purchase or subscribe for any other shares, rights, options or other securities of any class of Freddie Mac which at any time may be sold or offered for sale by Freddie Mac.

7. Liquidation Rights and Preference

(a) Except as otherwise set forth herein, upon the voluntary or involuntary dissolution, liquidation or winding up of Freddie Mac, after payment of or provision for the liabilities of Freddie Mac and the expenses of such dissolution, liquidation or winding up, the holders of the outstanding shares of the Non-Cumulative Preferred Stock shall be entitled to receive out of the assets of Freddie Mac available for distribution to stockholders, before any payment or distribution shall be made on the Common Stock or any other class or series of stock of Freddie Mac ranking junior to the Non-Cumulative Preferred Stock upon liquidation, the amount of \$50.00 per share plus an amount, determined in accordance with Section 2 above, equal to the dividend, if any, otherwise payable for the then-current Dividend Period accrued through and including the date of payment in respect of such dissolution, liquidation or winding up, and the holders of the outstanding shares of any class or series of stock of Freddie Mac ranking on a parity with the Non-Cumulative Preferred Stock upon liquidation shall be entitled to receive out of the assets of Freddie Mac available for distribution to stockholders, before any such payment or distribution shall be made on the Common Stock or any other class or series of stock of Freddie Mac ranking junior to the Non-Cumulative Preferred Stock and to such parity stock upon liquidation, any corresponding preferential amount to which the holders of such parity stock may, by the terms thereof, be entitled; provided, however, that if the assets of Freddie Mac available for distribution to stockholders shall be insufficient for the payment of the full amounts to which the holders of the outstanding shares of the Non-Cumulative Preferred Stock and the holders of the outstanding shares of such parity stock shall be entitled to receive upon such dissolution, liquidation or winding up of Freddie Mac as aforesaid, then, subject to paragraph (b) of this Section 7, all of the assets of Freddie Mac available for distribution to stockholders shall be distributed to the holders of outstanding shares of the Non-Cumulative Preferred Stock and to the holders of outstanding shares of such parity stock pro rata, so that the amounts so distributed to holders of the Non-Cumulative Preferred Stock and to holders of such classes or series of such parity stock, respectively, shall bear to each other the same ratio that the respective distributive amounts to which they are so entitled (including any adjustment due to changes in the Dividends-Received Percentage) bear to each other. After the payment of the aforesaid amounts to which they are entitled, the holders of outstanding shares of the Non-Cumulative Preferred Stock and the holders of outstanding shares of any such parity stock shall not be entitled to any further participation in any distribution of assets of Freddie Mac.

(b) Notwithstanding the foregoing, upon the dissolution, liquidation or winding up of Freddie Mac, the holders of shares of the Non-Cumulative Preferred Stock then outstanding shall not be entitled to be paid any amounts to which such holders are entitled pursuant to paragraph (a) of this Section 7 unless and until the holders of any classes or series of stock of Freddie Mac ranking prior upon liquidation to the Non-Cumulative Preferred Stock shall have been paid all amounts to which such classes or series are entitled pursuant to their respective terms.

(c) Neither the sale of all or substantially all of the property or business of Freddie Mac, nor the merger, consolidation or combination of Freddie Mac into or with any other corporation or entity, shall be deemed to be a dissolution, liquidation or winding up for the purpose of this Section 7.

8. Additional Classes or Series of Stock

The Board of Directors shall have the right at any time in the future to authorize, create and issue, by resolution or resolutions, one or more additional classes or series of stock of Freddie Mac, and to determine and fix the distinguishing characteristics and the relative rights, preferences, privileges and other terms of the shares thereof. Any such class or series of stock may rank prior to or on a parity with or junior to the Non-Cumulative Preferred Stock as to dividends or upon liquidation or otherwise.

9. Miscellaneous

(a) Any stock of any class or series of Freddie Mac shall be deemed to rank:

(i) prior to the shares of the Non-Cumulative Preferred Stock, either as to dividends or upon liquidation, if the holders of such class or series shall be entitled to the receipt of dividends or of amounts distributable upon dissolution, liquidation or winding up of Freddie Mac, as the case may be, in preference or priority to the holders of shares of the Non-Cumulative Preferred Stock;

(ii) on a parity with shares of the Non-Cumulative Preferred Stock, either as to dividends or upon liquidation, whether or not the dividend rates or amounts, dividend payment dates or redemption of liquidation prices per share, if any, be different from those of the Non-Cumulative Preferred Stock, if the holders of such class or series shall be entitled to the receipt of dividends or of amounts distributable upon dissolution, liquidation or winding up of Freddie Mac, as the case may be, in proportion to their respective dividend rates or amounts or liquidation prices, without preference or priority, one over the other, as between the holders of such class or series and the holders of shares of the Non-Cumulative Preferred Stock; and

(iii) junior to shares of the Non-Cumulative Preferred Stock, either as to dividends or upon liquidation, if such class or series shall be Common Stock, or if the holders of shares of the Non-Cumulative Preferred Stock shall be entitled to receipt of dividends or of amounts distributable upon dissolution, liquidation or winding up of Freddie Mac, as the case may be, in preference or priority to the holders of shares of such class or series.

(b) Freddie Mac and any agent of Freddie Mac may deem and treat the holder of a share or shares of Non-Cumulative Preferred Stock, as shown in Freddie Mac's books and records, as the absolute owner of such share or shares of Non-Cumulative Preferred Stock for the purpose of receiving payment of dividends in respect of such share or shares of Non-Cumulative Preferred Stock and for all other purposes whatsoever, and neither Freddie Mac nor any agent of Freddie Mac shall be affected by any notice to the contrary. All payments made to or upon the order of any such person shall be valid and, to the extent of the sum or sums so paid, effectual to satisfy and discharge liabilities for moneys payable by Freddie Mac on or with respect to any such share or shares of Non-Cumulative Preferred Stock.

(c) The shares of the Non-Cumulative Preferred Stock, when duly issued, shall be fully paid and non-assessable.

(d) The Non-Cumulative Preferred Stock shall be issued, and shall be transferable on the books of Freddie Mac, only in whole shares, it being intended that no fractional interests in shares of Non-Cumulative Preferred Stock shall be created or recognized by Freddie Mac.

(e) For purposes of this Certificate, the term "Freddie Mac" means the Federal Home Loan Mortgage Corporation and any successor thereto by operation of law or by reason of a merger, consolidation or combination.

(f) This Certificate and the respective rights and obligations of Freddie Mac and the holders of the Non-Cumulative Preferred Stock with respect to such Non-Cumulative Preferred Stock shall be construed in accordance with and governed by the laws of the United States, provided that the law of the Commonwealth of Virginia shall serve as the federal rule of decision in all instances except where such law is inconsistent with Freddie Mac's enabling legislation, its public purposes or any provision of this Certificate.

(g) Any notice, demand or other communication which by any provision of this Certificate is required or permitted to be given or served to or upon Freddie Mac shall be given or served in writing addressed (unless and until another address shall be published by Freddie Mac) to Freddie Mac, 8200 Jones Branch Drive, McLean, Virginia 22102, Attn: Executive Vice President-General Counsel and Secretary. Such notice, demand or other communication to or upon Freddie Mac shall be deemed to have been sufficiently given or made only upon actual receipt of a writing by Freddie Mac. Any notice, demand or other communication which by any provision of this Certificate is required or permitted to be given or served by Freddie Mac hereunder may be given or served by being deposited first class, postage prepaid, in the United States mail addressed (i) to the holder as such holder's name and address may appear at such time in the books and records of Freddie Mac or (ii) if to a person or entity other than a holder of record of the Non-Cumulative Preferred Stock, to such person or entity at such address as appears to Freddie Mac to be appropriate at such time. Such notice, demand or other communication shall be deemed to have been sufficiently given or made, for all purposes, upon mailing.

(h) Freddie Mac, by or under the authority of the Board of Directors, may amend, alter, supplement or repeal any provision of this Certificate pursuant to the following terms and conditions:

(i) Without the consent of the holders of the Non-Cumulative Preferred Stock, Freddie Mac may amend, alter, supplement or repeal any provision of this Certificate to cure any ambiguity, to correct or supplement any provision herein which may be defective or inconsistent with any other provision herein, or to make any other provisions with respect to matters or questions arising under this Certificate, provided that such action shall not materially and adversely affect the interests of the holders of the Non-Cumulative Preferred Stock.

(ii) The consent of the holders of at least 66 2/3% of all of the shares of the Non-Cumulative Preferred Stock at the time outstanding, given in person or by proxy, either in writing or by a vote at a meeting called for the purpose at which the holders of shares of the Non-Cumulative Preferred Stock shall vote together as a class, shall be necessary for authorizing, effecting or validating the amendment, alteration, supplementation or repeal of the provisions of this Certificate if such amendment, alteration, supplementation or repeal would materially and adversely affect the powers, preferences, rights, privileges, qualifications, limitations, restrictions, terms or conditions of the Non-Cumulative Preferred Stock. The creation and issuance of any other class or series of stock, or the issuance of additional shares of any existing class or series of stock of Freddie Mac (including the Non-Cumulative Preferred Stock), whether ranking prior to, on a parity with or junior to the Non-Cumulative Preferred Stock, shall not be deemed to constitute such an amendment, alteration, supplementation or repeal.

(iii) Holders of the Non-Cumulative Preferred Stock shall be entitled to one vote per share on matters on which their consent is required pursuant to subparagraph (ii) of this paragraph (h). In connection with any meeting of such holders, the Board of Directors shall fix a record date, neither earlier than 60 days nor later than 10 days prior to the date of such meeting, and holders of record of shares of the Non-Cumulative Preferred Stock on such record date shall be entitled to notice of and to vote at any such meeting and any adjournment. The Board of Directors, or such person or persons as it may designate, may establish reasonable rules and procedures as to the solicitation of the consent of holders of the Non-Cumulative Preferred Stock at any such meeting or otherwise, which rules and procedures shall conform to the requirements of any national securities exchange on which the Non-Cumulative Preferred Stock may be listed at such time.

(i) RECEIPT AND ACCEPTANCE OF A SHARE OR SHARES OF THE NON-CUMULATIVE PREFERRED STOCK BY OR ON BEHALF OF A HOLDER SHALL CONSTITUTE THE UNCONDITIONAL ACCEPTANCE BY THE HOLDER (AND ALL OTHERS HAVING BENEFICIAL OWNERSHIP OF SUCH SHARE OR SHARES) OF ALL OF THE TERMS AND PROVISIONS OF THIS CERTIFICATE. NO SIGNATURE OR OTHER FURTHER MANIFESTATION OF ASSENT TO THE TERMS AND PROVISIONS OF THIS CERTIFICATE SHALL BE NECESSARY FOR ITS OPERATION OR EFFECT AS BETWEEN FREDDIE MAC AND THE HOLDER (AND ALL SUCH OTHERS).

IN WITNESS WHEREOF, I have hereunto set my hand and the seal of Freddie Mac this 5th day of November, 1999.

[Seal]

Maud Mater, *Secretary*

FOR IMMEDIATE RELEASE
October 19, 1999
MEDIA CONTACT: DOUGLAS ROBINSON
703.903.2423
INVESTOR CONTACT: BILL STEPHENS
703.903.2798

**FREDDIE MAC ANNOUNCES RECORD EARNINGS FOR
THIRD QUARTER 1999**

Third Quarter 1999 Earnings Per Share Up 29 Percent

McLean, VA—Freddie Mac (NYSE:FRE) today announced record diluted earnings per common share of \$0.75 for third quarter 1999, a 29 percent increase over third quarter 1998 diluted earnings per common share of \$0.58. Net income for the third quarter was \$564 million, compared to \$425 million for the same period a year ago and \$552 million for second quarter 1999.

“Freddie Mac once again delivered strong results in the third quarter,” said Leland C. Brendsel, Chairman and Chief Executive Officer. “This year alone we have financed homes for nearly 2 million families. Freddie Mac has tremendous opportunities to continue to shape the way mortgages are made and will remain the best way to finance housing in America.” Brendsel added, “We also have tremendous financial strength. The company benefited from past management actions, putting interest-rate and credit risk at very low levels. We remain committed to protecting and enhancing value through superior risk management.”

“Strong total portfolio growth and continued credit strength produced solid earnings this quarter,” added David W. Glenn, President and Chief Operating Officer. “We demonstrated our commitment to disciplined portfolio management by restructuring short-term financing to protect long-term value. We also completed a \$6 billion Reference Note[®] issue, our largest ever, tapping worldwide capital markets to finance America’s housing.”

Revenues

Freddie Mac’s total revenues were \$1.000 billion in third quarter 1999, compared to \$821 million in third quarter 1998 and \$1.009 billion in second quarter 1999.

Net interest income on earning assets totaled \$610 million in third quarter 1999, compared to \$480 million in third quarter 1998 and \$640 million in second quarter 1999.

(more)

Freddie Mac—Quarterly Earnings
October 19, 1999
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On a fully taxable equivalent (FTE) basis, the net interest yield on earning assets was 0.76 percent in third quarter 1999, compared to 0.90 percent in third quarter 1998 and 0.83 percent in second quarter 1999. The decline in net interest yield from second quarter 1999 was driven primarily by increased funding costs, reflecting the effect of both rising interest rates and actions taken by management to extend the maturities of the corporation's debt financing.

Management and guarantee fee income totaled \$356 million in third quarter 1999, compared to \$328 million in third quarter 1998 and \$349 million in second quarter 1999. During third quarter 1999, the average balance of Total PCs increased \$24 billion, or 3 percent, while the average guarantee fee rate decreased 0.3 basis points. The decrease in the average guarantee fee rate reflects continued portfolio turnover, with fees on new PC issuances below the portfolio average, and liquidations of existing PCs at comparatively higher rates.

In third quarter 1999, Other income, net totaled \$34 million, compared to \$13 million in third quarter 1998 and \$20 million in second quarter 1999. Other income, net, which generally includes resecuritization fees and gains and losses related to certain derivative transactions and investment activities, may fluctuate from period to period.

Credit

Third quarter 1999 credit-related expenses (the provision for mortgage losses plus REO operations expense) totaled \$36 million, a decrease of \$43 million from third quarter 1998 and an increase of \$3 million from second quarter 1999. The quarterly provision for mortgage losses was \$15 million for third quarter 1999, compared to \$40 million for third quarter 1998 and \$15 million for second quarter 1999.

Total third quarter 1999 mortgage charge-offs were \$16 million, compared to \$14 million in third quarter 1998 and \$17 million in second quarter 1999. Single-family charge-offs were \$17 million in third quarter 1999, compared to \$15 million in third quarter 1998 and \$19 million in second quarter 1999. Multifamily recoveries totaled \$1 million in third quarter 1999, compared to recoveries of \$1 million in third quarter 1998 and \$2 million in second quarter 1999.

(more)

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Annualized third quarter 1999 credit losses (charge-offs plus REO operations expense) represented 1.8 basis points of the average total mortgage portfolio, compared to 3.1 basis points in third quarter 1998 and 1.7 basis points in second quarter 1999.

At September 30, 1999, total REO balances were \$473 million, down from \$561 million at September 30, 1998 and \$509 million at June 30, 1999. Single-family REO balances were \$469 million at September 30, 1999, down from \$553 million at September 30, 1998 and \$505 million at June 30, 1999. Multifamily REO balances were \$4 million at September 30, 1999, compared to \$8 million at September 30, 1998 and \$4 million at June 30, 1999.

The August 1999 delinquency rate for single-family, at-risk mortgages was 0.40 percent, down 9 basis points from September 1998 and 1 basis point from June 1999.

August 1999 delinquent multifamily balances were \$21 million, down from \$50 million at September 30, 1998 and \$23 million at June 30, 1999. As a percentage of the unpaid principal balance of multifamily mortgages serviced, the multifamily delinquency rate was 0.14 percent at the end of August, down from 0.53 percent at September 30, 1998 and 0.16 percent at June 30, 1999.

Administrative Expenses

Third quarter 1999 administrative expenses were \$164 million, compared to \$142 million in third quarter 1998 and \$161 million in second quarter 1999. Annualized administrative expenses represented 7.9 basis points of the average total mortgage portfolio in third quarter 1999 compared to 8.2 basis points in third quarter 1998 and 8.0 basis points in second quarter 1999.

Capital

The corporation's primary capital base (stockholders' equity plus the reserve for mortgage losses) totaled \$11.907 billion at September 30, 1999, compared to \$10.034 billion at September 30, 1998 and \$11.323 billion at June 30, 1999. In third quarter 1999, Freddie Mac issued \$250 million of 5.79% preferred stock.

Extraordinary Item

Freddie Mac recorded a \$9 million after-tax gain (or \$0.01 per basic and diluted common share) during third quarter 1999 as a result of the repurchase of debt.

* * * *

Freddie Mac's quarterly announcements of earnings results sometimes contain forward-looking statements pertaining to management's current expectations as to Freddie Mac's future business plans, results of operations and/or financial condition. Management's expectations for the corporation's future necessarily involve a number of assumptions and estimates, and various factors could cause actual results to differ materially from these expectations. These assumptions and factors are discussed in the corporation's Annual Report to Shareholders and its Information Statement and quarterly Information Statement Supplements.

Freddie Mac is a stockholder-owned corporation chartered by Congress in 1970 to create a continuous flow of funds to mortgage lenders. By supplying lenders with the money to make mortgages and packaging the mortgages into marketable securities, Freddie Mac sustains a stable mortgage credit system and reduces the mortgage rates paid by homebuyers. Over the years, Freddie Mac has opened the doors for one in six homebuyers in America and two million renters.

Freddie Mac's earnings releases and other financial disclosures are available on the Shareholders' page of our World Wide Web site at <http://www.freddiemac.com>.

FREDDIE MAC
CONSOLIDATED STATEMENTS OF INCOME
(unaudited)
(dollars in millions, except per share amounts)

	Quarter Ended			Nine Months Ended	
	Sept 30, 1999	June 30, 1999	Sept 30, 1998	Sept 30, 1999	Sept 30, 1998
Interest income					
Mortgages	\$ 995	\$ 972	\$ 934	\$ 2,952	\$ 2,772
Guaranteed mortgage securities	4,120	3,819	2,685	11,393	7,389
Investments and securities purchased under agreements to resell	764	658	542	2,239	1,599
	5,879	5,449	4,161	16,584	11,760
Interest expense on debt securities					
Short-term debt	(338)	(473)	(952)	(1,735)	(2,814)
Long-term debt	(4,793)	(4,146)	(2,516)	(12,402)	(6,903)
	(5,131)	(4,619)	(3,468)	(14,137)	(9,717)
Interest expense due to security program cycles	(138)	(190)	(213)	(571)	(653)
	(5,269)	(4,809)	(3,681)	(14,708)	(10,370)
Net interest income on earning assets	610	640	480	1,876	1,390
Management and guarantee income	356	349	328	1,043	978
Other income, net	34	20	13	87	67
Total revenues	1,000	1,009	821	3,006	2,435
Provision for mortgage losses	(15)	(15)	(40)	(45)	(150)
REO operations expense	(21)	(18)	(39)	(74)	(123)
Administrative expenses	(164)	(161)	(142)	(488)	(409)
Housing tax credit partnerships	(22)	(20)	(16)	(62)	(46)
Total non-interest expense	(222)	(214)	(237)	(669)	(728)
Income before income taxes and extraordinary item	778	795	584	2,337	1,707
Income taxes	(223)	(238)	(159)	(705)	(475)
Income before extraordinary item, net of taxes	555	557	425	1,632	1,232
Extraordinary gain (loss) on retirement of debt, net of taxes	9	(5)	-	(3)	-
Net income	\$ 564	\$ 552	\$ 425	\$ 1,629	\$ 1,232
Preferred stock dividends	(39)	(36)	(29)	(111)	(83)
Net income available to common stockholders	\$ 525	\$ 516	\$ 396	\$ 1,518	\$ 1,149
Earnings per common share before extraordinary item					
Basic	\$ 0.74	\$ 0.75	\$ 0.58	\$ 2.19	\$ 1.70
Diluted	\$ 0.74	\$ 0.74	\$ 0.58	\$ 2.17	\$ 1.68
Earnings per common share					
Basic	\$ 0.75	\$ 0.74	\$ 0.58	\$ 2.18	\$ 1.70
Diluted	\$ 0.75	\$ 0.74	\$ 0.58	\$ 2.17	\$ 1.68
Weighted average common shares outstanding (thousands)					
Basic	696,410	695,839	677,251	695,867	677,839
Diluted	700,255	700,835	681,880	700,421	682,717

FREDDIE MAC
CONSOLIDATED BALANCE SHEETS
(unaudited)
(dollars in millions)

	Sept 30, 1999	June 30, 1999	Sept 30, 1998
Assets			
Retained portfolio			
Mortgages	\$ 55,695	\$ 54,282	\$ 51,212
Reserve for losses on retained mortgages	(345)	(346)	(299)
	55,350	53,936	50,913
Guaranteed mortgage securities (GMS)	260,273	244,902	165,310
Net unrealized gain (loss) on available-for-sale GMS	(1,052)	(1,013)	238
Purchase and sale premiums, discounts and deferred fees	(57)	52	186
Retained portfolio, net	314,514	297,877	216,647
Cash and cash equivalents	1,992	1,214	1,286
Investments	23,447	22,411	27,293
Securities purchased under agreements to resell	3,068	2,143	3,532
Accounts and trading receivables	18,643	14,846	12,271
Real estate owned (REO), net	473	509	561
Other assets	2,748	2,540	1,666
Total Assets	\$ 364,885	\$ 341,540	\$ 263,256
Liabilities and Stockholders' Equity			
Debt securities, net			
Due within one year	\$ 173,556	\$ 165,941	\$ 151,966
Due after one year	167,458	148,341	84,421
Total debt securities, net	341,014	314,282	236,387
Principal and interest due to Mortgage Participation			
Certificate (PC) investors	7,502	10,758	14,550
Other liabilities	4,675	5,393	2,424
	353,191	330,433	253,361
Reserve for losses on Mortgage Participation Certificates	422	422	447
Guarantees			
Total Mortgage Participation Certificates (Total PCs)	738,581	718,085	635,726
Less--Underlying mortgages	(738,581)	(718,085)	(635,726)
	-	-	-
Subordinated borrowings	132	130	160
Stockholders' equity	11,140	10,555	9,288
Total Liabilities and Stockholders' Equity	\$ 364,885	\$ 341,540	\$ 263,256

No person has been authorized to give any information or make any representations other than those contained in this Offering Circular, and, if given or made, such information or representations must not be relied upon as having been authorized. This Offering Circular does not constitute an offer to sell or a solicitation of an offer to buy any securities other than the Preferred Stock or an offer to sell or the solicitation of an offer to buy Preferred Stock in any circumstance in which such offer or solicitation is unlawful. Neither the delivery of this Offering Circular nor any sale made hereunder shall, under any circumstances, create an implication that there has been no change in the affairs of the Corporation since the date hereof or, in the case of facts set forth in the Information Statement incorporated by reference herein, since the respective dates thereof or that the information contained herein or therein is correct as of any time subsequent thereto.

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5,000,000 Shares

Freddie Mac

**Variable Rate,
Non-Cumulative
Preferred Stock
(Liquidation Preference
\$50.00 Per Share)**

**Freddie
Mac**

**Goldman, Sachs & Co.
Lehman Brothers
First Tennessee Bank NA
Blaylock & Partners, L.P.**

November 2, 1999