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Freddie Mac Voluntarily Adopts Temporary Limited Growth for Retained Portfolio

Federal Home Loan Mortgage Corporation (Freddie Mac)

Freddie Mac
We make home possible℠

Supplement dated August 1, 2006 to
Information Statement dated June 28, 2006

RECENT EVENTS

FREDDIE MAC VOLUNTARILY ADOPTS TEMPORARY LIMITED GROWTH FOR RETAINED PORTFOLIO

Company issues market update showing strong financial performance and risk management

McLean, VA – Freddie Mac (NYSE:FRE) today announced that it will voluntarily limit the annual growth of the company's retained mortgage portfolio to no more than two percent above the level at June 30, 2006. This voluntary, temporary growth limit is in response to a request of the Office of Federal Housing Enterprise Oversight (OFHEO), the company's safety-and-soundness regulator.

"We believe a constructive working relationship with our regulator is necessary to our ability to meet our mission and generate long-term shareholder value," said Richard F. Syron, Freddie Mac Chairman and CEO. "We have worked cooperatively with OFHEO to reach this result while at the same time reflecting the interests of homebuyers, shareholders, customers and employees."

The limit, which is effective as of July 1, 2006, will remain in place until the company has returned to producing and publicly releasing quarterly financial statements prepared in conformity with GAAP.

A copy of Freddie Mac's letter to OFHEO is available on the company's Web site at www.FreddieMac.com.

INTERNAL CONTROLS AND FINANCIAL REPORTING UPDATE

We continue to work on a series of initiatives to improve our financial reporting infrastructure and remediate material weaknesses and other deficiencies in our internal control environment identified in our annual report, and identified to us by OFHEO in the course of its ongoing supervisory examinations. These initiatives include an assessment of the design and effectiveness of the company's internal control over financial reporting, and an initiative to improve information technology-related controls, together with remedial actions needed to address previously identified issues and any additional issues identified in the course of our ongoing reviews. Additionally, we are scheduled to implement several planned system enhancements later in the year.

Our objective is to return to quarterly reporting following the release of full-year 2006 results. This is a challenging objective, and we need to achieve a number of interim objectives relating to controls and reporting systems to be successful. We will update the market on our progress toward these objectives on a regular basis.

YEAR-TO-DATE 2006 BUSINESS RESULTS

The company also provided an update on the first half 2006 business performance, reporting continued excellent interest rate and credit risk management performance. Freddie Mac announced preliminary estimates of financial performance for the first quarter of 2006 and continuing progress on capital transactions.

"We had a very good first half in terms of our business," said Eugene M. McQuade, Freddie Mac's president and chief operating officer. "The estimates we're providing today of our first quarter financial net income indicate strong performance, and our fair value returns have improved. We are also making good progress in completing the capital management activities announced last year. And we are focused on driving continued enhancement of our financial reporting and controls."

Business Volumes

We continue to deliver on our charter responsibility to be a provider of secondary mortgage market liquidity through both investment and securitization activities. The unpaid principal balance (UPB) of our retained portfolio – which is reported in our Monthly Volume Summary on a basis that differs from GAAP – increased at an annualized rate of approximately 3.4 percent. The UPB of our credit guarantee portfolio grew to $1,406 billion as of June 30, 2006, an annualized growth rate of approximately 10.5 percent. We estimate our share of government-sponsored enterprise mortgage securitizations was 44 percent year-to-date through June, compared to 45 percent in 2005 and 41 percent in 2004.

Debt Funding

During the first half of 2006, average funding levels remained significantly below LIBOR rates, improving by approximately two basis points versus LIBOR for shorter term securities and up to five basis points for five- and ten-year securities. Global fixed-income investors continue to comprise a significant portion of our investor base across our funding curve, including in longer dated debt such as five- and ten-year agency securities. Taking advantage of relatively tight long-term credit spreads, we reduced the amount of short-term debt outstanding and locked in longer-term funding for our portfolio, reducing our balance of short-term debt securities to approximately 20 percent of total outstanding debt as of June 30, 2006. In addition, we continue to increase the proportion of outstanding callable debt financing our retained portfolio, with approximately $330 billion in callable debt outstanding at the end of the second quarter, an increase of 13 percent from year-end 2005.

Interest-Rate Risk Management

Our time-tested approach to interest-rate risk management is essential to maintaining a strong and durable capital base and uninterrupted access to debt and equity markets. Consistent with our longstanding record, our most recent reported metrics demonstrate that the company's interest-rate risk remains low. For 2005 and the first six months of 2006, Portfolio Market Value Sensitivity (PMVS) and duration gap have averaged one percent and zero months, respectively.

Credit-Risk Management

Our mortgage credit risk, as measured by loan-to-value (LTV) ratio and other credit characteristics, remains low. We estimate the LTV ratio of our credit guarantee portfolio to be 56 percent as of the end of the first quarter. Our credit guarantee portfolio remains well diversified nationally, and long-term, fixed-rate prime mortgages continue to comprise more than 80 percent of the total mortgage portfolio as of May 31, 2006, despite the recent increase in our purchases of floating-rate and non-traditional mortgage products.

Management continues to expect credit losses to remain low by historical standards. As of May 31, 2006, the total single-family delinquency rate was 53 basis points, compared to 69 basis points as of December 31, 2005 and 73 basis points as of December 31, 2004. We estimate that net single-family charge-offs were $52 million through the end of May.

Affordable Housing Goals

We believe we are making good progress toward achieving all of our 2006 regulatory affordable housing goals. Although the goals and sub-goals (which are particularly challenging) have been increased again for this year, we believe we are in a position to achieve them and are focused on that objective.

CAPITAL POSITION AND PRELIMINARY FINANCIAL RESULTS FOR 1Q 2006

In accordance with our monthly minimum capital reporting requirements, we submitted our March 31, 2006 capital report to OFHEO on April 28, 2006. At that time, we estimated regulatory core capital at March 31, 2006 of $37.2 billion, a $1.2 billion increase compared to regulatory core capital of $36.0 billion at December 31, 2005. This reported $1.2 billion increase in regulatory core capital implies estimated net income for the first quarter of approximately $1.6 billion, adding back dividends and before other capital transactions during the quarter amounting to approximately $400 million.

Our current estimate of net income for the first quarter of 2006 is approximately $1.3 billion, which is lower than the net income implied by the capital report, primarily because of adjustments made in completing our 2005 financial reports that were recorded subsequent to submission of our first quarter capital report, but that were included in our audited financial statements for 2005. Our estimate of first quarter 2006 results may change as we finalize our closing process relating to our guarantee-related assets and obligations.

We currently estimate that the fair value return on net assets attributable to common stockholders, before capital transactions, for the first quarter of 2006 was approximately ten percent annualized. The primary drivers of our estimated fair value results during the first quarter were income from our mortgage investment and credit guarantee activities, partially offset by the impact of a widening in mortgage-to-debt option-adjusted spreads. Management continues to believe the company will achieve long-term returns, before capital transactions, on the average fair value of net assets attributable to common stockholders in the low- to mid-teens, although period-to-period returns may fluctuate substantially due to market conditions.

Management's preliminary estimates of net income and fair value results for the first quarter of 2006 may change materially as we complete the process of closing our books for 2006. In addition, our current estimates could change as a result of subsequent events or changes in estimate.

CAPITAL TRANSACTIONS UPDATE

As announced, following the release of our 2005 financials on May 30, 2006, we have initiated the repurchase of common stock in accordance with our previously announced Board authorizations to repurchase up to $2 billion of common stock and issue up to $2 billion of non-cumulative perpetual preferred stock. Through the end of July, the company repurchased approximately $832 million of common stock (approximately 14.4 million shares) at an average price of $57.86. In July, the company issued $1.0 billion of non-cumulative perpetual preferred stock. Management expects to complete the remaining repurchase and issuance activities under these authorizations from time to time depending on market conditions.

Additional Information

Additional information about Freddie Mac and our business is also set forth in the company's Information Statement dated June 28, 2006 and related Information Statement Supplements, available on the Investor Relations page of the company's Web site at www.FreddieMac.com/investors. We encourage all investors and interested members of the public to review these materials for a more complete understanding of our financial results and related company disclosures.

Announcement of Conference Call and Webcast

Management will host a conference call discussing today's announcement at 4:30 p.m. Eastern Time today. Domestic investors should call 1-800-553-0272 and international investors can access the call at 612-288-0337. The conference call will be webcast live on the company's Web site. A telephone recording of this conference call will be available continuously beginning at approximately 10:00 p.m. Eastern Time on August 1, 2006 until midnight on August 15, 2006. To access this recording in the United States, call 1-800-475-6701 and use access code 838468. Outside of the United States, call 320-365-3844 and use access code 838468.

LEGAL PROCEEDINGS

TAX LITIGATION

As we reported in our Information Statement dated June 28, 2006, with respect to the U.S. Tax Court litigation with the IRS involving the 1985 through 1990 tax years, Freddie Mac claimed, and the Court has previously agreed, that the economic benefit of certain favorable, below-market financing as of January 1, 1985 is an intangible asset subject to amortization. On July 25, 2006, the Court ruled favorably for Freddie Mac on the questions of value and useful life of such intangible. In view of the Court's decision, we anticipate that a favorable adjustment to our tax reserves will be appropriate as of first quarter 2006. The amount of any such adjustment will be determined by management following its analysis of the decision. The Court's various rulings to date do not dispose of all of the matters in controversy in the case. Upon final resolution by the Court of all such matters, they will be subject to appeal by the parties.

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This Information Statement Supplement contains forward-looking statements. Statements that are not historical facts are forward-looking statements, including statements about our beliefs, expectations and estimates as to our future business plans and timelines, duration of the voluntary, temporary growth limit, results of operations, financial condition or outlook. These statements involve known and unknown risks, uncertainties, assumptions, estimates, and other factors and can often be identified by the words "will," "current," "estimate," "long-term," "could," "remain," "progress," "focused," "depending," "expect," "continue," "believe," "may," "initiative," "objective," "preliminary," and other expressions which indicate future events and trends. Various factors could cause actual results to differ materially from these expectations, including: actions by governmental entities, securities agencies or others that adversely affect the supply or cost of equity capital or debt financing available to us; our ability to identify, manage, mitigate and remediate internal control weaknesses and deficiencies and other risks; our ability to effectively implement our business strategies and manage the risks in our business; our ability to implement changes, developments or impacts of accounting standards and interpretations; changes in estimates, methodologies or models we use; adjustments to reserves for taxes and other contingencies; the outcome of pending legal proceedings; general business, economic, market and political conditions, including changes in levels and volatilities of interest rates and other market factors, changes in mortgage-to-debt option-adjusted spreads, prepayment behavior, housing prices and employment rates; our ability to complete additional capital transactions; competitive developments in the mortgage market; the rate of growth in total outstanding U.S. residential mortgage debt; changes in applicable legislative or regulatory requirements or changes in interpretations of such requirements; the other factors discussed in this Information Statement Supplement; and the reactions of the marketplace to the foregoing. Additional assumptions and factors are also discussed in the company's Information Statement dated June 28, 2006, and subsequent information Statement Supplements, which are available on the Investor Relations page of the company's Web site at www.FreddieMac.com/investors. We undertake no obligation to publicly update forward-looking statements we make in light of new information or future events.