- Update our policies and procedures to document control processes.
- Provide additional training to IT individuals that execute or manage security controls.
- Explore options to enter into various strategic arrangements with outside firms to provide operational capability and staffing for these functions, if needed.

In view of our mitigating actions related to these material weaknesses, we believe that our consolidated financial statements for the year ended December 31, 2011 have been prepared in conformity with GAAP.

Changes in Internal Control Over Financial Reporting During the Quarter Ended December 31, 2011

We evaluated the changes in our internal control over financial reporting that occurred during the quarter ended December 31, 2011 and concluded that the following matters have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Raymond G. Romano, Executive Vice President — Chief Credit Officer and John R. Dye, Senior Vice President — Interim General Counsel & Corporate Secretary, left the company during the fourth quarter of 2011. On October 26, 2011, FHFA announced that Charles E. Haldeman Jr., Chief Executive Officer, has expressed his desire to step down in 2012, and that the Board and FHFA will be developing a succession plan.

In addition, a number of senior officers left the company in earlier periods. We maintain succession plans for our senior management positions, which has enabled us to fill some of our vacant senior management positions quickly. However, we may not be able to continue to do so in the future. We have eliminated other vacant senior management positions through reorganizations. In addition, we have experienced elevated levels of voluntary turnover in the fourth quarter of 2011 and earlier periods, and expect this trend to continue as the public debate regarding the future role of the GSEs continues. We continue to have concerns about staffing inadequacies, management depth, and employee engagement. Disruptive levels of turnover at both the executive and employee levels could lead to breakdowns in any of our operations, affect our execution capabilities, cause delays in the implementation of critical technology and other projects, and erode our business, modeling, internal audit, risk management, information security, financial reporting, legal, compliance, and other capabilities.

Based on our assessment as of December 31, 2011, we identified a material weakness related to our inability to effectively manage information technology changes and maintain adequate controls over information security monitoring, resulting from increased levels of employee turnover. For additional information related to this material weakness, see "Management's Report on Internal Control Over Financial Reporting."

FHFA also announced on October 26, 2011, that two Board members, John A. Koskinen (Chairman) and Robert R. Glauber (Chairman, Governance and Nominating Committee), have reached the company's mandatory retirement age and would be stepping down from the Board. This occurred at the end of their then-current terms in March 2012. In order to promote a smooth transition, per FHFA's announcement, Christopher Lynch, previously the Chairman of the Audit Committee, assumed the position of Non-Executive Chairman of the Board effective at the December 2011 Board meeting. A third Board member, Laurence E. Hirsch, notified the company on October 18, 2011 that he would not seek re-election to the Board when his term expires. Mr. Hirsch's term expired in March 2012. In addition, on March 7, 2012, Clayton Rose (Chairman of the Audit Committee) notified the company that he will resign from the Board of Directors effective as of 6:00 pm Eastern Standard Time on March 9, 2012.

ITEM 9B. OTHER INFORMATION

Election of Directors

Upon the appointment of FHFA as our Conservator on September 6, 2008, the Conservator immediately succeeded to all rights, titles, powers and privileges of Freddie Mac, and of any stockholder, officer or director thereof, with respect to the company and its assets, including, without limitation, the right of holders of our common stock to vote with respect to the election of directors and any other matter for which stockholder approval is required or deemed advisable.

On March 6, 2012, the Conservator executed a written consent re-electing each of the then-current directors as members of our Board of Directors, other than Messrs. Glauber, Hirsch, and Koskinen, effective as of that date. The individuals elected by the Conservator for another term as directors are listed below.

Linda B. Bammann
Carolyn H. Byrd
Charles E. Haldeman, Jr.
Christopher S. Lynch
Nicolas P. Retsinas
Clayton S. Rose
Eugene B. Shanks, Jr.
Anthony A. Williams

The terms of the directors elected under the March 6, 2012 consent will continue until the date of the next annual meeting of stockholders or the Conservator next elects directors by written consent, whichever occurs first.

On March 7, 2012, Clayton Rose notified the company that he will resign from the Board of Directors effective as of 6:00 pm Eastern Standard Time on March 9, 2012.

2012 Executive Management Compensation Program

On March 8, 2012, FHFA approved a new compensation structure for our Covered Officers with limited input from Freddie Mac's management and Compensation Committee. The 2012 Executive Management Compensation Program, or the 2012 Executive Compensation Program, is effective January 1, 2012. Compensation under the 2012 Executive Compensation Program consists solely of salary paid in cash, with two components — Base Salary and Deferred Salary — which are described in the table below. No portion of the 2012 Executive Compensation Program includes a bonus component.

Element of Compensation	Description	Primary Compensation Objectives	Key Features
Base Salary	Earned and paid on a semi-monthly basis	To provide a fixed level of compensation to each Covered Officer for the responsibility level of his/her position	Cannot exceed $500,000 per year, except for the CEO and CFO, or other exceptions as approved by FHFA.
Deferred Salary	*Fixed Portion*. The fixed portion of Deferred Salary is earned semi-monthly during each quarter and paid on the last business day of the corresponding quarter of the following year	To encourage executive retention	The portion earned during 2012 but unpaid as of the date of termination is paid as described below.
	At-Risk Portion. The at-risk portion of Deferred Salary is earned and paid in the same manner as the fixed portion of Deferred Salary, but is subject to reduction based on corporate and individual performance	To encourage achievement of corporate and individual performance goals	The portion earned during 2012 but unpaid as of the date of termination is paid as described below. The 2012 corporate objectives against which corporate performance will be measured for the named executives' 2012 at-risk deferred salary are described below under "2012 Conservatorship Scorecard." Equal to 30% of Target TDC, half of which may be reduced based on corporate performance and half of which may be reduced based on individual performance.

Effect of Termination of Employment. Base Salary ceases upon a Covered Officer's termination of employment. The treatment of Deferred Salary upon the termination of a Covered Officer for any reason other than for cause is as described below.

- *Deferred Salary — Fixed Portion.* The portion earned during 2012 but unpaid as of the date of termination is reduced by 2% for each full or partial month by which the Covered Officer's termination precedes January 31, 2014.
- *Deferred Salary — At-Risk Portion.* The portion earned during 2012 but unpaid as of the date of termination is paid in full, but remains subject to reduction for corporate and individual performance.

All Deferred Salary paid following a Covered Officer's termination of employment will be paid on the same quarterly schedule as if the Covered Officer had not terminated employment.

2012 Target Total Direct Compensation

In establishing each Named Executive Officer's 2012 Target TDC, the Compensation Committee reviewed 2011 data from the Comparator Group and two alternative survey sources. Specifically, for the positions of CEO, CFO, EVP — Single-Family Business, Operations and Technology and EVP — Chief Enterprise Risk Officer, the Compensation Committee, at the recommendation of Meridian Compensation Partners, LLC, or Meridian, reviewed competitive market compensation data from the Comparator Group. For the position of EVP — Chief Administrative Officer, the Compensation Committee, also at the recommendation of Meridian, reviewed competitive market data from surveys published by Aon Hewitt and McLagan, because no reasonable match was available in the Comparator Group.

In December 2011, the Compensation Committee applied the criteria described below under "EXECUTIVE COMPENSATION — Compensation Discussion and Analysis — Executive Management Compensation Program — *Elements of Compensation and Total Direct Compensation — Establishing Target TDC*" to either develop 2012 TDC recommendations for each of the Named Executive Officers or review recommendations presented by senior management.

The 2012 Target TDC recommendation for each of the Named Executive Officers was reviewed by FHFA. While the Compensation Committee's 2012 Target TDC recommendations for our Named Executive Officers, in the aggregate, were below the 25th percentile of the competitive market, FHFA instructed the Compensation Committee to reduce the Target TDC for each of the Named Executive Officers by 10%, with the exception of Ms. Wisdom. For Ms. Wisdom, 2012 Target TDC is unchanged from 2011 in consideration of the expansion in the scope of her responsibilities during 2011 resulting from the integration of the credit risk management function in her division. For Mr. Weiss and Ms. Wisdom, the Compensation Committee increased Base Salary by 10%, with an equal decrease in Deferred Salary, to create more consistent Base Salary levels for EVPs who have comparable levels of responsibility.

The following table sets forth the components of compensation on an annual basis for each of our Named Executive Officers.

Table 75 — 2012 Program Target Compensation Amounts

Named Executive Officer	Title	2012 Base Salary	2012 Deferred Salary Fixed Portion	2012 Deferred Salary At-Risk Portion	Target TDC
Charles E. Haldeman, Jr.	CEO	$900,000	$2,880,000	$1,620,000	$5,400,000
Ross J. Kari	EVP — CFO	675,000	1,530,000	945,000	3,150,000
Anthony N. Renzi	EVP — Single-Family Business, Operations and Technology	500,000	1,232,500	742,500	2,475,000
Jerry Weiss	EVP — Chief Administrative Officer	495,000	891,000	594,000	1,980,000
Paige H. Wisdom	EVP — Chief Enterprise Risk Officer	467,500	757,500	525,000	1,750,000

2012 Conservatorship Scorecard

On March 8, 2012, FHFA instituted a scorecard for use in the new compensation program. The scorecard is applicable to both Freddie Mac and Fannie Mae and establishes the following objectives and performance targets/measures for 2012. These objectives and performance targets/measures will be used in determining the amount payable to Covered Officers with respect to one-half of the at-risk portion of 2012 Deferred Salary.

The scorecard scoring will be based not only on the ultimate accomplishment of results but also our cooperation, relative contribution and collaboration with the Board of Directors, FHFA, Fannie Mae, and market participants, as appropriate to the particular measure. FHFA will consider our creativity, collaboration, effectiveness, and commitment to the particular matter. Most goals have a target date of completion of December 31, 2012. However, if we are able to accomplish the goal earlier in the year that will be taken into consideration in the scoring to offset shortfalls elsewhere.

Objectives	Weighting	Targets / Measures
1. Build a New Infrastructure	30%	
• **Continued progress on, or completion of, mortgage market enhancement activities already underway**	15%	
– Loan-level Disclosure in Mortgage Backed Security (MBS)		• Develop template for enhanced loan-level disclosures for single-family MBS that incorporates market standards and is consistent with maintaining liquidity in the to-be-announced market. Template to be submitted to Federal Housing Finance Agency (FHFA) by June 30, 2012.
– Uniform Mortgage Data Program (UMDP)		• Meet articulated Uniform Mortgage Data Program (UMDP) timetables as follows: – Uniform Collateral Data Portal (UCDP) electronic appraisal submission requirement by March 19, 2012. – Uniform Loan Delivery Data (ULDD) format loan delivery data by July 23, 2012. – Deliver new ULDD data point in compliance with SEC Rule 15Ga-1 by November 30, 2012. – Notify market of optional ULDD data points, including those necessary to improve disclosure and for other business uses in 2012. • Notify market of servicing data standard, including data necessary to improve disclosure, and agree on timetable for data collection to begin in 2013 by December 31, 2012. • Develop plans that leverage uniform appraisal data and ULDD for enhanced risk management by December 31, 2012. • Cooperate with FHFA implementation of portal to accept electronic appraisals.
– Seller Servicer Contract Harmonization		• Appropriate resource allocation to seller-servicer contract harmonization and commitment to targeted timetables as outlined in FHFA directive.
• **Securitization Platform**	10%	• In collaboration with FHFA and the other Enterprise, develop and finalize a plan by December 31, 2012 for the design and build of a single securitization platform that can serve both Enterprises and a post-conservatorship market with multiple future issuers.
• **Pooling and Servicing Agreements**	5%	• Propose a model pooling and servicing agreement (PSA), collaborate with other Enterprise and FHFA on a specific proposal, seek public comment, and produce final recommendations for standard Enterprise trust documentation by December 31, 2012.
2. Contract the Enterprises dominant presence in the marketplace while simplifying and shrinking certain operations.	30%	
• **Work with FHFA to evaluate options for meeting conservatorship goals, including shifting mortgage credit risk to private investors via assessment of:**	10%	
– Multifamily line of business		• Undertake a market analysis by December 31, 2012, of the viability of multifamily business operations without government guarantees. Review the likely viability of these models operating on a stand-alone basis after attracting private capital and adjusting pricing if needed.
– Investment assets and nonperforming loans		• Perform analysis of investments portfolio as described in the strategic plan by the fourth quarter of 2012 and make preparations for the competitive disposition of a pool of nonperforming assets by September 30, 2012. • Review options with board of directors and FHFA and make appropriate recommendations for future actions. • Implement plan agreed to by board and FHFA.
• **Risk Sharing**	10%	• Initiate risk sharing transactions by September 30, 2012. • Execute new risk sharing transactions beyond the traditional charter required mortgage insurance coverage. • Propose timeline for continued growth in risk sharing through 2013.
• **Pricing**	10%	
– Single-family Guarantee Fee Pricing Increases		• Develop and begin implementing plan to increase guarantee fee pricing to more closely approximate the private sector. • Set uniform pricing across loan sellers to extent practicable.
– Set plan to price for state law effects on mortgage credit losses given default		• Work with FHFA to develop appropriate risk-based pricing by state. State-level pricing grid to be completed by August 31, 2012.
3. Maintain foreclosure prevention activities and credit availability for new and refinanced mortgages.	20%	
• **Loss Mitigation through continued implementation and enhancement of Servicer Alignment Initiative**	10%	• Enhance transparency of servicer requirements around foreclosure timelines and compensatory fees and publish applicable announcements by September 30, 2012.
• **Short Sales**		• Enhance short sales programs that include efforts to identify program obstacles that impact utilization by June 30, 2012. Applicable lender announcements to foreclosure alternatives by September 30, 2012.
• **Deeds-in-Lieu and Deeds-for-Lease**		• Design, develop or enhance deed-in-lieu and deed-for-lease programs that include efforts to identify and resolve program obstacles that impact utilization by September 30, 2012. Applicable lender announcements to foreclosure alternatives by December 31, 2012.
• **Real Estate Owned Sales**	10%	• Implement, as needed, loans to facilitate real estate owned (REO) sales program by June 30, 2012. • Expand financing for small investors in REO properties by June 30, 2012. • Initiate disposition pilot, either through financing or bulk sales, by September 30, 2012. • Expand pilot programs and establish ongoing sales program, as agreed to with FHFA, during 2012.
4. Manage Efficiently in Support of Conservatorship Goals	20%	
• **Conservatorship / Board Priorities**	20%	• Work closely with FHFA toward concluding litigation associated with private label securities and whole loan repurchase claims, as appropriate. • Prioritize and manage Enterprise operations in support of conservatorship goals and board directions. • Adapt to evolving conservatorship requirements. • Collaborate fully with FHFA and, when requested, the other Enterprise. • Actively seek and consider public input on conservatorship-related projects, as requested. • Effectively identify, communicate, and remediate situations that create risk for the conservatorships or avoidable taxpayer losses. • Ensure corporate governance procedures are maintained, including timely reporting to the board and adhering to board mandates and expectations. • Take steps to mitigate key person dependencies and maintain appropriate internal controls and risk management governance. • Achieve milestones agreed to within the year with regard to accounting alignment.