EMPLOYEE COMPENSATION POLICIES AND PRACTICES AT FREDDIE MAC FOR CALENDAR YEAR 2010

To

Committee on Financial Services
United States House of Representatives

and

Committee on Banking, Housing and Urban Affairs
United States Senate

June 30, 2011

I. INTRODUCTION

The Federal Home Loan Mortgage Corporation ("Freddie Mac," "we" or "us") submits this annual report, due by June 30, 2011, on compensation pursuant to Section 303(h)(1) of the Federal Home Loan Mortgage Corporation Act of 1970 (the "Freddie Mac Act"). 12 U.S.C. § 1452(h)(1).

The Freddie Mac Act requires that this report on compensation include the following information:

- The comparability of our compensation policies with those of other similar businesses;
- In the aggregate, the percentage of total cash compensation and payments under employee benefit plans earned by our Executive Officers [1] during the previous year that was based on the corporation's performance; [2]
- The comparability of our financial performance with that of other similar businesses; and
- A copy of our proxy statement. [3]

We have prepared this report in fulfillment of these requirements for calendar year 2010. This report includes a discussion of our compensation policies and how we evaluate the comparability and competitiveness of our practices relative to those of other similar companies, as well as an analysis of the financial performance of Freddie Mac relative to that of other similar companies. In addition, this report includes a full discussion of executive compensation, including the percentage of compensation to Executive Officers that is based on the Company's performance.

Brief History and Impact of Conservatorship

Federal statues have provided regulatory oversight of our executive compensation for many years. In 1992, the Office of Federal Housing Enterprise Oversight ("OFHEO") was established

[1] For the purposes of this report, an "Executive Officer" is defined according to Section 16a-1(f) of the Securities Exchange Act of 1934 and includes Freddie Mac positions of Chief Executive Officer, Chief Operating Officer, Chief Financial Officer, the Principal Accounting Officer, and any executive or senior vice president in charge of a principal business unit, division, or function, regardless of title, or any other officer who performs a significant policy-making function. As of December 31, 2010, the end of the period covered by this report, Freddie Mac had 16 Executive Officers.

[2] For the purposes of this report, this calculation includes only compensation earned by Executive Officers employed by us on December 31, 2010.

[3] Since entering conservatorship, Freddie Mac has not prepared a proxy statement. In lieu of including a proxy statement with this report, we have included Part III of our 2010 Form 10-K, which contains the executive compensation disclosure that ordinarily would be included in our proxy statement.

as our safety and soundness regulator and was granted authority to prohibit executive compensation that was not reasonable or comparable with practices at similar companies. In July 2008, the Federal Housing Finance Regulatory Reform Act of 2008 created OFHEO's successor, the Federal Housing Finance Agency ("FHFA"), and provided it with additional authorities with respect to executive compensation. Among its authorities, FHFA has the authority to approve, disapprove, or modify executive compensation for Executive Officers.

On September 6, 2008, the Director of FHFA appointed FHFA as the Conservator of Freddie Mac. Upon its appointment as Conservator, FHFA not only retained all of the regulatory authority provided by statute, but immediately assumed all rights, titles, powers and privileges of Freddie Mac, and of any stockholder, officer or director of Freddie Mac with respect to Freddie Mac and its assets, including, without limitation, the right of holders of Freddie Mac common stock to vote with respect to the election of directors and any other matter for which stockholder approval is required or deemed advisable. Further, FHFA directed that our Board consult with and obtain FHFA's approval before taking any action involving hiring, compensation, or termination benefits for specific Executive Officers.[4] Because the Conservator has succeeded to all of the voting power of Freddie Mac's stockholders, stockholders no longer have the ability to recommend director nominees or vote for the election of the directors of Freddie Mac. Accordingly, Freddie Mac does not currently solicit proxies, distribute a proxy statement to stockholders, or hold an annual meeting of stockholders. Instead, the Conservator elects directors by a written consent in lieu of an annual meeting. Further information regarding conservatorship and its impact on our executive compensation programs can be located in the attached Form 10-K, in the section entitled, "Executive Management Compensation Program – Overview of Program Structure."

II. FREDDIE MAC'S COMPENSATION POLICIES

Our ability to fulfill our public purpose of ensuring the continuous availability of funds for home mortgages depends greatly on our ability to attract and retain qualified professionals in a variety of disciplines. Our compensation policies are crucial to achieving this recruitment and retention

[4] "Specific Executive Officers" include those at the executive vice president level and above, and, regardless of title, those who hold positions of chief operating officer, chief financial officer, general counsel, chief business officer, chief investment officer, treasurer, chief compliance officer, chief risk officer, and chief/general/internal auditor.

objective. As a result, our policies are consistent with Section 303(c) of the Freddie Mac Act, which requires that we compensate employees in a manner that is reasonable and comparable to that of other similar businesses. 12 U.S.C. § 1452(c).

The following paragraphs in this section describe compensation policies that are generally applicable to all employees, as well as those specific to Executive Officers. Detailed information regarding executive compensation matters can be found in Sections III and IV of this report and in the Compensation Discussion and Analysis section of our Form 10-K.

Setting Compensation for All Employees – In order to determine if the total compensation of our employees is reasonable and comparable to that of other similar businesses, we gather information on market levels of compensation. For vice presidents and non-officers, we use compensation data from a variety of widely utilized survey sources for companies in both financial services and other industries. The specific survey or surveys used for each position are selected based on a determination of the relevant labor market for the position. For both executive and senior vice presidents, we use compensation data for a group of companies we have identified as being either in a similar line of business of otherwise relevant for purposes of recruiting and retaining individuals with the requisite skills and capabilities, referred to as the "Comparator Group." In the event there is insufficient data from the Comparator Group, or if we believe that additional data sources would strengthen the analysis of competitive market compensation levels, we use alternative survey sources to make these assessments.

For officer and non-officer employees, for which no survey identifies positions comparable to Freddie Mac positions, or when survey data is incomplete, we set compensation targets based on our best estimates of the relative scope and responsibilities of the position as compared to the scope and responsibilities of comparable positions within Freddie Mac for which survey data exists.

Setting Executive Compensation – The Executive Management Compensation Program ("EMCP") covers the compensation of all Executive Officers, plus other senior vice presidents and above who are not classified as Executive Officers. The EMCP reflects the principles established by the United States Department of the Treasury's ("Treasury") executive compensation guidelines for companies receiving federal assistance, as well as several key principles that are specific to Freddie Mac. First, the EMCP was designed to closely align executive pay with corporate performance, to be measured primarily by the Company's achievement of annual goals approved by our Board and Conservator. Second, the EMCP establishes strict recapture provisions that protect the interests of the Company and taxpayers. Third, the EMCP was designed to position Freddie Mac to retain critical executives and attract new executive talent as we continue to support the nation's housing recovery, especially given the uncertainties regarding the Company's future status resulting from conservatorship and related developments. One key difference between the EMCP and programs at other companies that have received federal assistance is that Freddie Mac cannot provide equity-based compensation to its employees under the terms of the Company's Preferred Stock Purchase Agreement with Treasury, unless such grants are approved by Treasury. Accordingly, compensation paid under the EMCP is delivered entirely in cash.

Section IV of this report contains information regarding target and actual compensation applicable to the 2010 EMCP.

III. FREDDIE MAC'S EXECUTIVE OFFICER COMPENSATION POLICIES [5]

Section 303(c) of the Freddie Mac Act requires that "a significant portion of potential compensation" of our Executive Officers "be based on the performance of the Corporation." 12 U.S.C. § 1452(c). We have long embraced this approach to executive compensation, and the EMCP provides for a significant amount of compensation that is performance-based and/or subject to mandatory deferral.

Subject to approval by FHFA, Executive Officer compensation is reviewed and approved by the Compensation Committee ("Committee"), which for 2010 was composed of four directors, each of whom was independent under the listing standards of the New York Stock Exchange and the independence criteria of Freddie Mac's Corporate Governance Guidelines.

[5] The discussion in this section is based substantially on the Compensation Discussion and Analysis section found in Part III of our Form 10-K, filed February 24, 2011.

IV. EXECUTIVE MANAGEMENT COMPENSATION PROGRAM (EMCP)

Overview of Program Structure and Objectives

Under the EMCP, a participant's target total direct compensation, or "Target TDC," consists of three elements – Semi-Monthly Base Salary, Deferred Base Salary, and Target Incentive Opportunity. The Target TDC is established for each annual performance cycle, and the amount of TDC actually received that is attributable to a performance cycle is referred to as "Actual TDC." Under the EMCP, two-thirds of a participant's Target TDC consists of Semi-Monthly Base Salary and Deferred Base Salary, and one-third consists of Target Incentive Opportunity. The components of the Target TDC are explained below.

1. Semi-Monthly Base Salary is paid in cash on a semi-monthly basis during each calendar year and provides a fixed level of compensation designed to fairly compensate the participant for the responsibility level of his or her position. Under the EMCP, Semi-Monthly Base Salary cannot exceed $500,000 annually, except for the CEO, COO, and CFO, unless otherwise approved by FHFA.
2. Deferred Base Salary ("DBS") is earned during one calendar year but not paid until the following calendar year. DBS earned in 2010 will be provided to a participant in a fixed portion (equal to 50%) and in a performance-based portion (equal to 50%). DBS payments will be paid in fixed quarterly amounts on the last business day of the corresponding quarter in 2011, provided the participant is actively employed by the Company on such payment date. Individual differentiation is not provided for under the EMCP for performance-based DBS, and therefore, each payment is equal to an officer's target multiplied by the funding level. Actual payments can vary from 0% to 125%, based upon the funding level approved by the Committee and FHFA.
3. Target Incentive Opportunity ("TIO") is equal to one-third of a participant's annual Target TDC. The award is granted annually, with half of each award earned in the year granted and the other half earned in the following year. Actual payments can vary from 0% to 150% of target, as approved by the Committee and FHFA, and will occur no later than March 15 of the year following the year to which the annual performance measures are applicable. Individual differentiation of TIO payments is provided for under the EMCP and is further discussed on pages 305 and 306 of our Form 10-K, in the section entitled "Determination of Actual Target Incentive Opportunity."

Process Used to Determine 2010 Target TDC for Executive Officers

Compensation Consultant – As part of the annual process to determine Target TDC for our Executive Officers, the Committee receives guidance from its independent compensation consultant, selected by the Committee without management's involvement.

Comparative Market Compensation Data – In determining Target TDC under the ECMP, the Committee reviewed compensation of executives in comparable positions at companies in our Comparator Group. In conjunction with its compensation consultant, the Committee determined that the following companies should comprise our 2010 Comparator Group:

2010 Comparator Group

Allstate	Hartford Financial Services Group	Prudential Financial
American Express	JPMorgan Chase *	State Street
Bank of America *	MasterCard	SunTrust Banks
Bank of New York Mellon	MetLife	U.S. Bancorp
BlackRock	Northern Trust	Visa
Citigroup *	PNC Financial Services Group	Wells Fargo *
Fannie Mae		

* Compensation data to be used from these diversified banking firms is taken only from their mortgage or real estate divisions.

In the event of insufficient data from the Comparator Group for any executive officer position, or if the Committee's compensation consultant believes that additional data sources would strengthen the analysis of competitive market compensation levels, the Committee can use alternative survey sources, such as those listed on page 301 of our Form 10-K, in the section entitled, "Gathering Comparative Market Compensation Data."

Setting Target TDC – In setting Target TDC levels for Executive Officers, the Committee used as a guideline the market median, or 50th percentile, of the total direct compensation paid to incumbents in comparable positions at Comparator Group companies, or in the alternative survey sources selected by the Committee.

While the market median was used as the guideline for total direct compensation, the Committee had the authority to establish Target TDC that was either higher or lower as it deemed appropriate for each Executive Officer. Additional factors considered by the Committee in establishing Target

TDC were the Executive Officer's performance and the criticality of their role and that the TDC of our Executive Officers must be consistent with our charter, which requires that compensation of our executives be reasonable and comparable with the compensation of executives performing similar duties in similar businesses.

Determination of Actual 2010 Compensation for Executive Officers

As discussed in an above section, "Overview of Program Structure and Objectives," the EMCP provides for three elements of pay for Executive Officers. While the Semi-Monthly Base Salary is fixed and not performance-based, the other two elements of compensation do have performance components, which are discussed in further detail below.

2010 Performance Assessment – Performance-based incentives under the EMCP, which represent a significant amount of total compensation for Executive Officers, are funded primarily based upon performance against objectives that are established by the Board, reviewed and approved by FHFA, and reflect our priorities during conservatorship. For 2010, the performance-based elements of compensation were determined by evaluating performance against a balanced set of objectives in four areas: mission, financial execution, accounting and controls, and our business infrastructure. Additionally, the Board exercised its authority to consider additional factors (described below) when determining the following funding levels for 2010:

		Target Incentive Opportunity	
	2010 Deferred Base Salary (performance-based element)	2010 First Installment	2009 Second Installment
Funding Level Percent	**88%**	**95%**	**95%**

Performance-Based Portion of 2010 Deferred Base Salary – In 2010, management provided the Committee with assessments against DBS performance objectives. Management's final assessment to the Committee concluded that we achieved most but not all of the DBS performance objectives, which are reflected in Table 72 on page 303 of our Form 10-K. After reviewing and discussing management's final performance assessment against the performance measures, the Committee concurred with management's assessment. The Committee then identified and discussed additional factors that it believed should be taken into consideration in determining the appropriate funding level for the performance-based portion of Deferred Base

Salary. These additional factors are outlined on page 304 of our Form 10-K and had an overall effect of lowering the approved funding level to 88%.

Performance-Based Portion of Target Incentive Opportunity – In 2010, management provided the Committee with assessments against both TIO installments attributable to the 2010 performance year – the 2010 First Installment and the 2009 Second Installment.

1. Regarding the first installment of the 2010 TIO, management concluded that we achieved most, but not all, of the performance objectives provided in Table 74 on page 305 of our Form 10-K. After reviewing and discussing management's final performance assessment against the performance measures, the Committee concurred with management's assessment. Then the Committee identified and discussed one additional factor that it believed should be taken into consideration in determining the appropriate funding for the first installment of the 2010 TIO. The additional factor, which is also described on page 305 of our Form 10-K, had the overall effect of increasing the funding level for this installment to 95%.

2. Regarding the second installment of the 2009 TIO, management concluded that we fully achieved the objectives outlined in Table 75 on page 306 of our Form 10-K. After reviewing and discussing management's performance assessment against the performance measures, the Committee concurred with management's assessment. The Committee did not identify any additional factors that should be taken into consideration in determining the appropriate funding for the second installment of the 2009 TIO, and the funding level for this installment was approved at 95%.

V. EMPLOYEE BENEFIT PLANS AND PROGRAMS

We offer a competitive package of employee benefits. Under our flexible benefits, or "cafeteria" program, each eligible employee may structure his or her own individual benefits package, including medical coverage, dental coverage, vision coverage, vacation, group term life insurance, accidental death and personal loss insurance, and participation in a health care spending account and/or a dependent care spending account. In addition, we offer employees a tax-qualified pension plan, a thrift/401(k) savings plan, group universal life insurance, short- and long-term disability benefits, business travel accident insurance, long-term care insurance, severance, educational assistance, various work-life programs, holidays, sick leave and other paid time away from work benefits.

In general, Executive Officers are eligible for employee benefits made available to our employee population as a whole. In addition, Executive Officers are also eligible to participate in the Supplemental Executive Retirement Plan ("SERP"),[5] which has traditionally been made available to all officers of the Company and includes the full amount of benefits to which they would have been entitled to under our tax-qualified defined benefit pension plan and our tax-qualified thrift/401(k) savings plan if those plans were not subject to certain limits under the Internal Revenue Code and did not exclude from compensation amounts deferred under our Executive Deferred Compensation Plan. For additional information regarding SERP and the Executive Deferred Compensation Plan benefits, see page 318 and 319 in the attached Form 10-K.

VI. OTHER EXECUTIVE COMPENSATION CONSIDERATIONS

Perquisites – Following our conservatorship, and a review of competitive market practices, Freddie Mac eliminated a number of previously offered perquisites for Executive Officers. Only the following four perquisites were provided to Executive Officers in 2010 – personal financial planning, relocation benefits, limited reimbursement for expenses associated with a comprehensive physical exam, and reimbursement for business-related spousal travel expenses. Total annual perquisites for any Executive Officer cannot exceed $25,000 without FHFA approval, and no perquisite can include a gross-up for taxes due on the perquisite itself.

Post-Termination Compensation – The treatment of DBS and TIO amounts upon various termination scenarios are discussed in detail in the section entitled, "Potential Payments Upon Termination of Employment or Change-in-Control," on pages 320 and 321 of our Form 10-K.

Additionally, a summary of compensation and benefits potentially payable as of December 31, 2010, to each named executive officer given various termination scenarios can be found in the

[5] In approving the EMCP, FHFA directed Freddie Mac to amend the SERP (effective January 1, 2010) to provide that the maximum covered compensation for the purposes of the SERP and EMCP participants may not exceed two times the Executive Officer's Semi-Monthly Base Salary.

section entitled, “Potential Payments Upon Termination of Employment or Change-in-Control,” on page 322 of the attached Form 10-K.

Recapture Policy – All Executive Officers must sign and accept the terms of the company’s Recapture Policy. Pages 310 and 311 of the Form 10-K describe the events that can trigger a recapture and the compensation subject to recapture.

Stock Ownership Guidelines – Following conservatorship, FHFA approved the suspension of our stock ownership guidelines. The suspension of stock ownership requirements is expected to continue throughout conservatorship.

VII. AMOUNT OF COMPENSATION BASED ON CORPORATE PERFORMANCE

All compensation for 2010 was delivered exclusively in cash. Of the total aggregate cash compensation paid to the 16 Executive Officers employed by the Company on December 31, 2010, 45% was based on corporate performance.

This percentage is derived by dividing the sum of (a) the Executive Officers’ performance-based cash compensation (which includes the first installment of the 2010 TIO, the second installment of the 2009 TIO, the performance-based portion of 2010 DBS, and one officer’s second installment of a 2009 long-term incentive award received as a vice-president) by the sum of (b) the Executive Officers’ 2010 Semi-Monthly and Deferred Base Salaries, plus cash Bonuses (as shown in the Direct Compensation Summary Table on the following page) paid for the 2010 performance year, plus all other bonuses (such as sign-on and retention bonuses) paid in 2010, and “All Other Compensation” [6] for 2010.

The following chart provides aggregate direct compensation for Freddie Mac’s 2010 Executive Officers, who were employed by the Company on December 31, 2010. For additional information regarding named executive officer compensation, please see the “COMPENSATION TABLES – *Summary Compensation Table – 2010”* section of the Form 10-K.

[6] “All Other Compensation” is further described in footnote 6 of the Direct Compensation Summary Table for 2010.

Direct Compensation Summary Table for 2010

Executive Officers	Semi-Monthly Base Salary [1]	Deferred Base Salary [2]	Bonus [3]	Non-Equity Incentive Plan Compensation [4]	Change in Pension Value and Nonqualified Deferred Compensation Earnings [5]	All Other Compensation [6]	TOTAL
Total for 16 Officers	$7,347,640	$12,842,477	$1,492,500	$8,508,288	$2,125,444	$1,619,999	$32,809,868

(1) The amount reported represents actual payments received by Executive Officers in 2010, in accordance with the EMCP.

(2) The amount reported represents Deferred Base Salary amounts (both performance-based and non-performance-based portions) earned during each calendar quarter in 2010 in accordance with the EMCP and which will be paid in cash on the last business day of the corresponding quarter in 2011, provided the Executive Officer is actively employed by the Company on such payment date.

(3) The amount reported reflects the total of 2010 payments associated with one Executive Officer's service-based retention award and one Executive Officer's sign-on award.

(4) The amount reported reflects the total of payments to Executive Officers for a) the portion of the 2009 Target Incentive Opportunity earned in 2010 and paid on February 18, 2011; b) the portion of the 2010 Target Incentive Opportunity earned in 2010 and paid on February 18, 2011; c) the performance-based retention awards for two Executive Officers; and d) the second payment of a long-term incentive award provided to one Executive Officer, who was a vice-president at the time the award was made.

(5) The amount reported reflects the actuarial increase in the present value of each Executive Officer's accrued benefits under our Pension Plan and the SERP, effective December 31, 2010. Values were determined using the time periods and assumptions applied in our consolidated financial statements for the year ended December 31, 2010, and the normal retirement age of 65, as specified in the Pension Plan. Present values are determined based on generational mortality tables developed by the Society of Actuaries' Retirement Plans Experience Committee. Deferred Base Salary is not considered compensation eligible for deferral in accordance with the Executive Deferred Compensation Program. Above market earnings were not applied to the accumulated balances in the Executive Deferred Compensation Plan as of December 31, 2010, in accordance with plan guidelines.

(6) The amount reported is the sum of the following: a) basic and matching contributions we made to our tax-qualified Thrift/401(k) Savings Plan in fiscal 2010; b) accruals we made pursuant to the Thrift/401(k) SERP Benefit; c) Flex Dollars*; and d) perquisites and other personal benefits received.

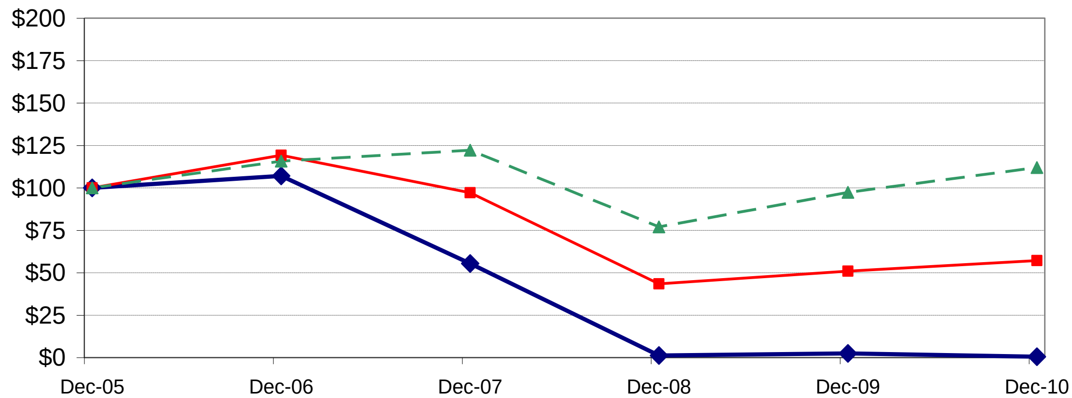
> * Flex Dollars are provided under our Flexible Benefits Plan and are generally available to all employees to offset costs related to medical coverage, dental coverage, vision coverage, group term life insurance, accidental death and personal loss insurance, and vacation purchase. Flex Dollars can be used to offset the cost of other benefits and any unused Flex Dollars are payable as taxable income.

VIII. COMPARABILITY OF FREDDIE MAC'S FINANCIAL PERFORMANCE

The SEC determined that the most appropriate method by which to judge the financial performance of various companies is to compare their cumulative total shareholder returns over a period of several years. As a result, the SEC requires disclosure of such a comparison in the annual report of each publicly traded corporation that is registered under the Securities Exchange Act of 1934.

Freddie Mac provides such an analysis in the following graph entitled, “Comparative Cumulative Total Stockholder Returns.” The graph compares the five-year cumulative total shareholder return on Freddie Mac common stock with that of the S&P 500 Financial Sector Index and the S&P 500 Index. The table assumes $100 invested in each of Freddie Mac common stock, the S&P Financial Sector Index, and the S&P 500 Index on December 31, 2005. Total return calculations assume annual dividend reinvestment. The table does not forecast performance of our common stock.

Comparative Cumulative Total Stockholder Returns
(in dollars)



	12/31/2005	12/31/2006	12/31/2007	12/31/2008	12/31/2009	12/31/2010
Freddie Mac	$100	$107	$55	$1	$2	$1
S&P 500 Financials	100	119	97	43	51	57
S&P 500	100	116	122	77	97	112

As the chart demonstrates, the financial performance of Freddie Mac as measured by cumulative total shareholder returns was worse than the performance of the S&P 500 Financial Sector Index and the S&P 500 Index at the end of the five-year period covering December 31, 2005 to December 31, 2010.