June 30, 2022

FREEDDIE MAC 2021 REPORT ON COMPENSATION

To

Committee on Financial Services
United States House of Representatives

and

Committee on Banking, Housing and Urban Affairs
United States Senate

I. INTRODUCTION

The Federal Home Loan Mortgage Corporation ("Freddie Mac," "the Company," "we" or "us") is required to submit by June 30 of each year an annual report 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 report must contain the following:

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

Freddie Mac is fully aware of the support we have received from the federal government and taxpayers under conservatorship, and throughout conservatorship we have strived to be good stewards of that support. Working under FHFA's supervision, we have made significant reforms to our business model, strengthened our management, and improved our business practices, while providing liquidity and support to the housing finance system through all market cycles. That includes working with FHFA to provide extraordinary relief to homeowners and renters and helping stabilize the market throughout the pandemic.

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[1] For purposes of this report, "Executive Officers" include: (1) the individuals who are listed as executive officers on pages 253-254 of the attached Form 10-K; (2) David Brickman, who served as CEO of Freddie Mac until January 8, 2021; (3) Mark Grier, who served as Interim CEO from March 15 through May 31, 2021;and (4) Deborah Jenkins, who served as EVP of Multifamily through November 5, 2021. The list was prepared in accordance with the disclosure requirements of SEC Regulation S-K and includes all Freddie Mac employees who fall within the definition of "executive officer" in Section 1303 of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992. The Non-Executive Chair of Freddie Mac's Board of Directors ("Board") is not an employee and is not included as an executive officer in this report. Freddie Mac does not have a vice chairman. As of December 31, 2021, the end of the period covered by this report, Freddie Mac had eight Executive Officers.

[2] For the purposes of this report, this calculation includes compensation earned only by those Executive Officers employed by us on December 31, 2021.

[3] Since entering conservatorship, Freddie Mac has reported the executive compensation disclosures that ordinarily would be included in a proxy statement in Part III of the attached Form 10-K, which contains other relevant executive compensation information. Because the Federal Housing Finance Agency ("FHFA" or "Conservator") has succeeded to all of the voting power of Freddie Mac's stockholders, those stockholders no longer have the ability to recommend director nominees or vote for the election of directors. Accordingly, we do not currently conduct an annual meeting of stockholders or issue proxy statements. Instead, the Conservator elects directors via a written consent in lieu of an annual meeting.

Critical to our past and future progress is our ability to attract and retain qualified executives and employees.

History and Impact of Regulatory Oversight and Conservatorship

Federal statutes have provided for regulatory oversight of our executive compensation for many years. In 1992, the Office of Federal Housing Enterprise Oversight ("OFHEO") was established 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 Housing and Economic Recovery Act of 2008 created FHFA to succeed OFHEO and provided FHFA with additional regulatory authorities with respect to executive compensation.

When Freddie Mac was placed in conservatorship in September 2008, FHFA 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. This includes, 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. Specific authorities of the Board and its Committees are described on pages 247-250 of the attached Form 10-K.

Further information regarding conservatorship and its impact on our executive compensation programs is located on pages 268-269 of the attached Form 10-K. FHFA has amended some previously issued directives and guidance subsequent to the 10-K publication.

II. FREDDIE MAC'S COMPENSATION POLICIES

Freddie Mac's ability to fulfill our public purpose of ensuring the continuous availability of funds for home mortgages in a safe and sound manner depends critically on our ability to attract and retain qualified professionals in a variety of disciplines. We face competition from the financial services and technology industries, and from businesses outside of these industries, for well-qualified and diverse talent. The increased availability of job opportunities in the current economy has made the attraction and retention of executive and employee talent more competitive. If this increased competition persists and if we are unable to attract and retain executives and other employees with the necessary skills and talent, we would face increased operational risk.

Keeping in mind this reality, we have designed and deployed competitive compensation and benefit programs that are necessary to compete in the marketplace for qualified professionals with the necessary skills and capabilities.

FHFA, as our conservator, has the authority to approve the terms and amount of our executive compensation. Accordingly, our executive compensation program was developed in collaboration with, and has been approved by, FHFA. It provides for all compensation to be paid exclusively in cash because we cannot provide equity-based compensation to our employees under the terms of our Senior Preferred Stock Purchase Agreement ("SPSPA") with the United States Treasury ("Treasury"), unless approved by Treasury.

The following information describes compensation policies that are generally applicable to all employees, as well as those specific to Executive Officers. Additional information regarding executive compensation matters can be found in Sections III and IV of this report and beginning on page 255 of the attached Form 10-K.

Setting Compensation for All Employees – Freddie Mac is authorized by statute to provide compensation to its employees that is reasonable and comparable to the compensation paid by similar businesses. 12 U.S.C. § 1452(c). In exercising this authority, we gather information on market levels of compensation. For vice presidents and non-officers, we use compensation data from a variety of widely utilized compensation surveys. The specific surveys used are selected based on a determination of the relevant labor market for each position. For both executive and senior vice presidents, we use compensation data from a group of peer companies referred to as the "Comparator Group" that are either in a similar line of business or otherwise relevant for purposes of determining the compensation required for recruiting and retaining individuals with the requisite skills and capabilities. Finding comparable companies for purposes of benchmarking executive compensation is challenging due to our unique business, structure and mission, and the large size of our book of business compared to other financial services firms. If there is either no reasonable match or insufficient Comparator Group data for a position, or if the compensation consultant retained by the Compensation and Human Capital Committee of the Board of Directors (the "Committee") believes that additional data sources would strengthen the analysis of competitive market compensation levels, the Committee uses alternative survey data.

Setting Executive Compensation – Executive Officer compensation is reviewed and approved by the Committee, which was composed of five directors as of December 31, 2021, who were each independent under the listing standards of the New York Stock Exchange and the independence criteria of Freddie Mac's Corporate Governance Guidelines. All Executive Officer compensation actions taken by the Committee are subject to approval by FHFA.[4] FHFA's authorities include ensuring that compensation paid to executives is reasonable and comparable with compensation paid at institutions of similar size and function for similar duties and responsibilities.

The Executive Management Compensation Program (the "EMCP") covers the compensation of officers at the level of senior vice president and above, other than the Chief Executive Officer (the "CEO")[5]. The EMCP addresses our need to retain executives and attract new executive talent while promoting the goals of conservatorship and the interests of taxpayers. As discussed below, our executive compensation program follows best practices, including clawback provisions in employment agreements, using an independent compensation consultant, and performing an annual compensation risk review. Best practices also include not making agreements guaranteeing specific compensation amounts for a specified term of employment. A complete overview of the EMCP can be found on page 255 of the attached Form 10-K.

One key difference between the EMCP and similar programs at other companies that have received federal assistance is that we cannot provide equity compensation to our employees under the terms of the SPSPA, unless such grants are approved by Treasury. Accordingly, compensation paid under the EMCP is delivered entirely in cash.

III. EMCP OVERVIEW

Under the EMCP, a participant's target total direct compensation ("Target TDC") consists solely of salary, with two components – Base Salary and Deferred Salary. The amount of TDC received with respect to 2021 is referred to as "Actual TDC." The two components of Target TDC are explained below.

1. Base Salary is paid in cash on a bi-weekly basis and provides a fixed level of compensation designed to fairly compensate an EMCP participant for the responsibility level of his or her position. While we are in conservatorship, each EMCP participant's base salary cannot exceed $600,000.

2. Deferred Salary under the EMCP consists of two elements, as follows:

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[4] Compensation matters related to Executive Officers other than the CEO are discussed on page 255-256 of the attached Form 10-K and in Section III below.

[5] Compensation arrangements for the CEO are discussed on page 256 of the attached Form 10-K.

a. *At-Risk Deferred Salary* is equal to 30% of Target TDC. Half of At-Risk Deferred Salary is subject to reduction based on FHFA's assessment of the Company's performance against goals established by FHFA. The other half is subject to reduction based on a combination of individual performance and the Company's performance against goals established by the Board for the performance year. In 2019, FHFA directed us to increase the mandatory deferral period for At-Risk Deferred Salary from one year to two years. For EMCP participants hired before January 1, 2020, this change was effective for At-Risk Deferred Salary earned beginning January 1, 2022. For EMCP participants hired on or after January 1, 2020, the change was effective immediately. However, pursuant to an FHFA directive issued in June 2022, for EMCP participants hired before January 1, 2020, one-half of At-Risk Deferred Salary earned in 2022 will be paid in quarterly installments in the first year following the performance year and the remaining one-half of At-Risk Deferred Salary earned in 2022 will be paid in quarterly installments in the second year following the performance year. For compensation earned in 2023 and thereafter, all At-Risk Deferred Salary will be paid in quarterly installments in the second year following the performance year. This mandatory deferral period for At-Risk deferred salary applies for so long as the Company is in conservatorship.

b. *Fixed Deferred Salary* is equal to Target TDC less Base Salary and At-Risk Deferred Salary. Fixed Deferred Salary will be paid in quarterly installments in the first year following the performance year. This and other details regarding both elements of Target TDC are provided on page 256 of the attached Form 10-K.

Process Used to Determine 2021 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, which is retained by the Committee and does not provide any services to management.

Setting Target TDC – In determining and setting Target TDC for Executive Officers for 2021, the Committee reviewed the compensation of executives in comparable positions at companies in our Comparator Group or, as appropriate, in other survey sources. The list of companies included in our 2021 Comparator Group and the process used by the Committee to review survey data are discussed in greater detail on pages 257-258 of the attached Form 10-K.

Determination of Actual 2021 Compensation for Executive Officers

While Base Salary and Fixed Deferred Salary are not performance-based, At-Risk Deferred Salary is subject to reduction based on both corporate and individual performance. One-half of At-Risk Deferred Salary (in other words, 15% of Target TDC) is subject to reduction based upon FHFA's assessment of Freddie Mac's performance against the objectives set in the 2021 Conservatorship Scorecard. The other half of At-Risk Deferred Salary (also equal to 15% of Target TDC) is subject to reduction based upon Freddie Mac's performance against the Corporate Scorecard goals (as assessed by the Board and subject to FHFA review), and each executive's individual performance. Performance and payment decisions associated with 2021 At-Risk Deferred Salary were determined in accordance with the processes and procedures outlined on pages 259-264 of the attached Form 10-K.

IV. EMPLOYEE BENEFIT PLANS AND PROGRAMS

Freddie Mac offers a competitive employee benefits package. Under our flexible benefits program, each eligible employee was able to structure his or her own individual benefits package for 2021 within set parameters. The options included medical coverage, dental coverage, vision coverage, vacation, group term life insurance, accidental death and personal loss insurance, long-term disability insurance, and flexible spending accounts for both health and dependent care. In addition, we offer eligible employees a tax-qualified 401(k) savings plan.

We also offer an unfunded, non-qualified supplemental executive retirement plan to eligible officers which provides the full amount of benefits to which they would have been entitled under the 401(k) plan if that plan was not subject to certain dollar limits under the Internal Revenue Code.

Freddie Mac previously had a pension plan, but earlier in conservatorship, that plan was terminated.

V. OTHER EXECUTIVE COMPENSATION CONSIDERATIONS

Perquisites –

In 2022, Freddie Mac eliminated the single perquisite it had offered Executive Officers in 2021: reimbursement for assistance with personal financial planning, tax planning, and/or estate planning. This perquisite had an annual maximum benefit of $4,500, with an additional $2,500 allowance provided in the first year in which an Executive Officer became eligible for the benefit. Total annual perquisites for any Executive Officer could not exceed $25,000 without FHFA approval and we did not gross-up this perquisite.

Post-Termination Compensation – The EMCP addresses the treatment of each component of an Executive Officer's Target TDC upon various termination events (for example, death, long-term disability, retirement, voluntary departure, or involuntary departure), as described on pages 277-279 of the attached Form 10-K.

Recapture Agreement – All Executive Officers must agree to the terms of a Recapture and Forfeiture Agreement. Events that can trigger a recapture and/or forfeiture of compensation and the compensation subject to recapture are described on pages 266-267 of the attached Form 10-K. Grounds for recapture and/or forfeiture include: (1) compensation paid based on materially inaccurate information; (2) termination due to felony conviction or willful misconduct; (3) termination due to gross neglect or gross misconduct; or (4) violation of a post-termination, non-competition covenant.

VI. AMOUNT OF COMPENSATION BASED ON CORPORATE PERFORMANCE

Because of the prohibition on equity compensation discussed above, all compensation for 2021 was delivered in cash. Of the total aggregate cash compensation paid to the Executive Officers employed by the Company on December 31, 2021, 26% was based on corporate performance. The percentage of total cash compensation based on corporate performance is derived by dividing the sum of At-Risk Deferred Salary by the sum of the Executive Officers' total compensation.

For further information regarding compensation of certain Executive Officers, please refer to the Summary Compensation Table on page 273 of the attached Form 10-K.

VII. COMPARABILITY OF FREDDIE MAC'S FINANCIAL PERFORMANCE

The Freddie Mac Act requires that this report address the comparability of Freddie Mac's financial performance with that of other similar businesses. The table below provides information on Freddie Mac's annual net income since 2017, with comparable information for Fannie Mae and for two indices, the S&P 500 index and the S&P Financial Sector Index. In the case of the two indices, net income amounts represent the average amounts for companies included in the index.

Net Income (in millions)				
Year	Freddie Mac [6]	Fannie Mae	S&P 500 [7]	S&P Financials [7]
2017	5,625	2,463	2,064	3,178
2018	9,235	15,959	2,304	3,658
2019	7,214	14,160	2,557	5,067
2020	7,326	11,805	2,504	5,121
2021	12,109	22,176	3,599	6,597

[6] Freddie Mac's 2017 net income includes net deferred tax assets write-down of $5.4 billion.
[7] The prior years' net income amounts for S&P 500 and S&P Financials have been updated to include additional companies not available in Bloomberg reporting previously.

Source for Freddie Mac and Fannie Mae: Form 10-K Financials.
Source for S&P 500 and S&P Financials: Bloomberg.
Methodology: For each respective year, average net income is calculated by summing the annual net income of all members in the index and dividing that by the number of members in the index. Index members and figures are as of the end of each year. The list of members varies each year.

VIII. ATTRACTING QUALITY EXECUTIVES AND EMPLOYEES REMAINS CRUCIAL TO REFORMING OUR COMPANY

As noted above, Freddie Mac has strived to be a good steward of the support we have received from taxpayers. The dedication and hard work of our executives and employees have improved and reformed Freddie Mac since conservatorship began, providing value to taxpayers, the housing finance system, and homeowners and renters. Working under FHFA's supervision, we have made significant reforms to our business model, strengthened our management, and improved our business practices.

Specifically, we have addressed critical weaknesses in Freddie Mac's pre-conservatorship business model by creating a new business model. This includes downsizing our retained portfolio and repurposing it to support our mission, levelling the playing field for small lenders, and protecting taxpayers and stabilizing the housing finance system by creating entirely new markets to transfer most mortgage credit risk away from us and to private investors.

Throughout conservatorship, we also have provided critical liquidity to the primary mortgage market, helped stabilize the housing market and communities through all market cycles. For example, working with FHFA, we saved more than one million borrowers from foreclosure.

Additionally, as of June 30, 2022, Freddie Mac has paid taxpayers $119.7 billion in dividends – compared to $71.6 billion in cumulative draws from Treasury. As a reminder, unlike other entities that received financial support as a result of the 2008 Financial Crisis, Freddie Mac and Fannie Mae were the only two entities prohibited from paying back the principal on their Treasury draws. Unlike every other recipient of federal aid, the GSEs may only pay dividends. This is an important factor contributing to the long duration of their conservatorships, which in turn creates challenges in attracting and retaining talent.

In order to continue our progress in creating a world-class financial institution that will operate safely and soundly while fulfilling our mission, and stabilizing the housing market during the next crisis, we need to continue to attract and retain quality professionals through offering competitive compensation.