FEDERAL HOME LOAN MORTGAGE CORP
Form 10-K/A
April 12, 2010

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UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K/A

(Amendment No. 2)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2009

Commission File Number: 000-53330

Federal Home Loan Mortgage Corporation
(Exact name of registrant as specified in its charter)

Freddie Mac

Federally chartered corporation *(State or other jurisdiction of incorporation or organization)*	**8200 Jones Branch Drive** **McLean, Virginia 22102-3110** *(Address of principal executive offices, including zip code)*	**52-0904874** *(I.R.S. Employer Identification No.)*	**(703) 903-2000** *(Registrant s telephone number, including area code)*

Securities registered pursuant to Section 12(b) of the Act:

Title of each class:	Name of each exchange on which registered:
Voting Common Stock, no par value per share	New York Stock Exchange
Variable Rate, Non-Cumulative Preferred Stock, par value $1.00 per share	New York Stock Exchange
5% Non-Cumulative Preferred Stock, par value $1.00 per share	New York Stock Exchange
Variable Rate, Non-Cumulative Preferred Stock, par value $1.00 per share	New York Stock Exchange
5.1% Non-Cumulative Preferred Stock, par value $1.00 per share	New York Stock Exchange
5.79% Non-Cumulative Preferred Stock, par value $1.00 per share	New York Stock Exchange
Variable Rate, Non-Cumulative Preferred Stock, par value $1.00 per share	

	New York Stock Exchange
Variable Rate, Non-Cumulative Preferred Stock, par value $1.00 per share	New York Stock Exchange
Variable Rate, Non-Cumulative Preferred Stock, par value $1.00 per share	New York Stock Exchange
5.81% Non-Cumulative Preferred Stock, par value $1.00 per share	New York Stock Exchange
6% Non-Cumulative Preferred Stock, par value $1.00 per share	New York Stock Exchange
Variable Rate, Non-Cumulative Preferred Stock, par value $1.00 per share	New York Stock Exchange
5.7% Non-Cumulative Preferred Stock, par value $1.00 per share	New York Stock Exchange
Variable Rate, Non-Cumulative Perpetual Preferred Stock, par value $1.00 per share	New York Stock Exchange
6.42% Non-Cumulative Perpetual Preferred Stock, par value $1.00 per share	New York Stock Exchange
5.9% Non-Cumulative Perpetual Preferred Stock, par value $1.00 per share	New York Stock Exchange
5.57% Non-Cumulative Perpetual Preferred Stock, par value $1.00 per share	New York Stock Exchange
5.66% Non-Cumulative Perpetual Preferred Stock, par value $1.00 per share	New York Stock Exchange
6.02% Non-Cumulative Perpetual Preferred Stock, par value $1.00 per share	New York Stock Exchange
6.55% Non-Cumulative Preferred Stock, par value $1.00 per share	New York Stock Exchange
Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock, par value $1.00 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes o No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes o No x

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x   No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o   No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. Large accelerated filer o Accelerated filer x Non-accelerated filer (Do not check if a smaller reporting company) o Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

The aggregate market value of the common stock held by non-affiliates computed by reference to the price at which the common equity was last sold on June 30, 2009 (the last business day of the registrant s most recently completed second fiscal quarter) was $401.9 million.

As of February 11, 2010, there were 648,377,977 shares of the registrant s common stock outstanding.

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EXPLANATORY NOTE

The Federal Home Loan Mortgage Corporation (Freddie Mac or the company) is filing this Amendment No. 2 on Form 10-K/A to its Annual Report on Form 10-K for the fiscal year ended December 31, 2009, or the Form 10-K, to provide the additional information required by Part III of Form 10-K. This Amendment No. 2 on Form 10-K/A does not change the previously reported financial statements or any of the other disclosures contained in Part I or Part II of the Form 10-K, filed on February 24, 2010, as amended by Amendment No. 1 on Form 10-K/A filed on March 4, 2010. Part IV is being amended solely to add as exhibits certain new certifications in accordance with Rule 13a-14(a) promulgated by the Securities and Exchange Commission, or the SEC, under the Securities Exchange Act of 1934, or the Exchange Act.

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PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

Background

On September 6, 2008, the Director of the Federal Housing Finance Agency, or FHFA, appointed FHFA as the Conservator of Freddie Mac. Upon its appointment as Conservator, FHFA immediately succeeded to 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. In view of the Conservator s succession 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 will not solicit proxies, distribute a proxy statement to stockholders, or hold an annual meeting of stockholders in 2010. Instead, the Conservator has elected directors by a written consent in lieu of an annual meeting, as it did in 2009.

Directors

On November 24, 2008, the Conservator reconstituted the Board of Directors, or the Board, of Freddie Mac and delegated certain powers to the Board while reserving certain powers of approval to itself. See Authority of the Board and Board Committees. The Conservator determined that the Board is to have a non-executive Chairman, and is to consist of a minimum of nine and not more than 13 directors, with the Chief Executive Officer being the only corporate officer serving as a member of the Board.

On December 21, 2009, Freddie Mac announced that Barbara T. Alexander had notified FHFA that she would not stand for re-election to our Board at the expiration of her then-current term.

The Conservator executed a written consent, effective March 19, 2010, electing all of the then-current directors other than Ms. Alexander to another term as directors of Freddie Mac. The terms of those directors will end (i) on the date of the next annual meeting of stockholders of Freddie Mac, or (ii) when the Conservator next elects directors by written consent, whichever occurs first.

The Board is engaged in the process of identifying an appropriate and qualified candidate to fill the vacancy created by Ms. Alexander s departure from the Board. If such a candidate is identified, we anticipate that the Board will appoint that individual to fill the vacancy, subject to review by the Conservator, pursuant to authority delegated to the Board by the Conservator. The term of a director appointed by the Board to fill the vacancy would end at the same time as the terms of the directors elected by the Conservator by written consent.

Freddie Mac s Board seeks candidates for the Board who have achieved a high level of stature, success and respect in their principal occupations. Each of our current directors was selected as a candidate because of his or her character, judgment, experience and expertise. The qualifications of candidates also were evaluated in light of the requirement in our charter, as amended by the Reform Act, that our Board must at all times have at least one individual from the homebuilding, mortgage lending and real estate industries, and at least one person from an organization representing consumer or community interests or one person who has demonstrated a career commitment to the provision of housing for low-income households. Consistent with the examination guidance for Corporate Governance issued by FHFA, the factors considered also include the knowledge directors would have, as a group, in the areas of business,

finance, accounting, risk management, public policy, mortgage lending, real estate, low-income housing, homebuilding, regulation of financial institutions and any other areas that may be relevant to the safe and sound operation of Freddie Mac. Additionally, in accordance with the guidance issued by FHFA, we considered whether a candidate s other commitments, including the number of other board memberships, would permit the candidate to devote sufficient time to the candidate s duties and responsibilities as a Freddie Mac director.

The following is a brief discussion of: the age and length of Board service of each director; the directors experience, qualifications, attributes and/or skills; and other biographical information about our directors, as of April 8, 2010:

> Linda B. Bammann joined the Board in December 2008. She is 54 years old. She is an experienced finance executive with in-depth knowledge of risk management gained from her previous employment and board memberships.

Ms. Bammann was Executive Vice President, Deputy Chief Risk Officer for JPMorgan Chase & Co. from July 2004 until her retirement in January 2005. Prior to that, Ms. Bammann held several positions with Bank One Corporation beginning in 2000, including Executive Vice President and Chief Risk Management Officer from 2001 until Bank One s acquisition by JPMorgan Chase & Co. in July 2004. Ms. Bammann also was a member of Bank One s executive planning group. From 1992 to 2000, Ms. Bammann was a Managing Director with UBS Warburg LLC and predecessor firms. Ms. Bammann was a board member of the Risk Management Association, and chairperson of the Loan Syndications and Trading Association. Ms. Bammann currently is a director of Manulife Financial Corporation, where she is a member of the Risk Committee and the Conduct, Review and Ethics Committee, and of The Manufactures Life Insurance Company, a subsidiary of Manulife Financial Corporation.

> Carolyn H. Byrd joined the Board in December 2008. She is 61 years old. She is an experienced finance executive who has held a variety of leadership positions. She also has significant public company audit committee experience.

Ms. Byrd has been Chairman and Chief Executive Officer of GlobalTech Financial, LLC, a financial services company she founded, since 2000. From 1997 to 2000, Ms. Byrd was President of Coca-Cola Financial Corporation. From 1977 to 1997, Ms. Byrd held a variety of domestic and international positions with The Coca-Cola Company, including Chief of Internal Audits and Director of the Corporate Auditing Department. She is currently a director of AFC Enterprises, Inc., where she is the Chair of the Audit Committee and a member of the People Services (Compensation) Committee. Ms. Byrd is a former member of the board of directors and audit committee member of Circuit City Stores, Inc. and RARE Hospitality International, Inc., and she also served on the board of directors of St. Paul Travelers Companies, Inc.

> Robert R. Glauber joined the Board in 2006. He is 71 years old. Mr. Glauber is an experienced finance executive who has held several leadership positions in the private and public sectors and has academic experience focusing on financial matters.

From March 13, 2009 until August 10, 2009, Mr. Glauber served as our Interim Non-Executive Chairman while Mr. Koskinen served as our Interim Chief Executive Officer. Mr. Glauber is a Lecturer at Harvard s Kennedy School of Government and was a visiting professor at the Harvard Law School in 2007 and 2009. Previously, he served as Chairman and Chief Executive Officer of the National Association of Securities Dealers, or the NASD (now the Financial Industry Regulatory Authority, Inc., or FINRA), the private-sector regulator of U.S. securities firms, from September 2001 to September 2006, after becoming NASD s CEO in November 2000. Prior to becoming an officer at NASD, he was a Lecturer at the Kennedy School from 1992 until 2000, Under Secretary of the Treasury for Finance from 1989 to 1992 and, prior to that, a Professor of Finance at the Harvard Business School for 25 years. In 1987-88, Mr. Glauber served as Executive Director of the Task Force (Brady Commission) appointed by President Reagan to report on the October 1987 stock market break. He has served on the boards of the Federal Reserve Bank of Boston, a number of Dreyfus mutual funds, the Investment Company Institute, Quadra Realty Trust and as president of the Boston Economic Club. Mr. Glauber currently is a director of Moody s Corporation, where he is a member of the Audit Committee and the Governance and Compensation Committee; Chairman of XL Capital Ltd. (an insurance company), where he is the Chair of the Management Development and Compensation Committee and a member of the Governance and External Affairs Committee and the Finance

Committee; and a Trustee of the International Accounting Standards Committee Foundation. He has been a Senior Advisor at Peter J. Solomon Co., an investment bank, since November 2006.

Charles E. Haldeman, Jr. joined the Board in August 2009, effective upon the commencement of his employment as Chief Executive Officer of Freddie Mac. He is 61 years old. He is an experienced finance executive and leader of finance and investment organizations.

Prior to joining Freddie Mac, Mr. Haldeman served as Chairman of Putnam Investment Management, LLC, the investment advisor for the Putnam Funds, from July 2008 though June 2009. He joined Putnam Investments in 2002 as Senior Managing Director and Co-Head of the investment division, was appointed President and Chief Executive Officer in November 2003, and served in that capacity until June 2008. He was a member of Putnam Funds Board of Trustees from 2004 until July 2009, and was named President of the Putnam Funds in 2007. He served as a member of Putnam Investments Board of Trustees from November 2003 until June 2009, where he served as a member of the audit committee. Prior to joining Putnam, Mr. Haldeman served as Chief Executive Officer of Delaware Investments from 2000 to 2002, and as chairman from 2001 to 2002. He was the President and Chief Operating Officer of United Asset Management Corporation (UAM) from 1998 to 1999. Before his service at UAM, he worked in various roles at Cooke & Bieler, Inc., an investment management firm and affiliate of UAM, from 1974 to 1998, most recently as Managing Partner. Mr. Haldeman is currently chairman of Dartmouth College s Board of Trustees. He also serves on the Harvard Business School Board of Dean s Advisors.

Laurence E. Hirsch joined the Board in December 2008. He is 64 years old. He is an experienced finance executive who has held leadership positions in the homebuilding and real estate and investment industries.

Mr. Hirsch has been Chairman of Highlander Partners, L.P., a private equity firm, since April 2004. Mr. Hirsch was Chief Executive Officer of Centex Corporation, a large homebuilder, from 1988 until his retirement in March 2004 and its Chairman from 1991 until March 2004. Mr. Hirsch is the Chairman of Eagle Materials Inc., where he is also Chairman of the Executive Committee. Mr. Hirsch is a director of A. H. Belo Corporation, where he is a member of the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee, and formerly served on the board of directors of Belo Corp., its parent company. In addition, Mr. Hirsch is Chairman of the Center for European Policy Analysis in Washington, D.C.

John A. Koskinen joined the Board in September 2008. He is 70 years old. He brings over thirty-five years of executive, board and government experience to the Board. He has managed a wide range of companies and divisions engaged in a variety of activities including mortgage securitization and investment, real estate development and management, hotel and resort operations, home building and insurance.

Mr. Koskinen served as Non-Executive Chairman of Freddie Mac from September 2008 until March 13, 2009, when he became our Interim Chief Executive Officer. He resumed the role of Non-Executive Chairman on August 10, 2009. In addition, Mr. Koskinen performed the function of principal financial officer on an interim basis from April 22, 2009 until August 10, 2009. Previously, Mr. Koskinen was President of the United States Soccer Foundation for four years, deputy mayor and city administrator of Washington, D.C. from 2000 to 2003, assistant to the president and chair of the President s Council on Year 2000 Conversion from 1998 to 2000 and deputy director for management of the Office of Management and Budget from 1994 to 1997. Prior to his government service, Mr. Koskinen worked as a senior executive of The Palmieri Company, including serving as President and Chief Executive Officer, participating in the restructuring of a range of large, troubled enterprises including Penn Central, the Teamsters Pension Fund, Levitt and Sons, Inc. and Mutual Benefit. Mr. Koskinen also is a director of The AES Corporation, where he is a member of the Financial Audit Committee and the Compensation Committee, and American Capital, Ltd., where he is a member of the Audit and Compliance Committee.

Christopher S. Lynch joined the Board in December 2008. He is 52 years old. He is an experienced senior accounting executive who served as the lead audit signing Partner and Account Executive for several large financial institutions with mortgage lending businesses. He also has significant public company audit committee experience and risk management experience.

Mr. Lynch is an independent consultant providing a variety of services to financial intermediaries, including risk management, strategy, governance, financial and regulatory reporting and troubled-asset management. Prior to retiring from KPMG LLP in May 2007, Mr. Lynch held a variety of leadership positions at KPMG, including National Partner in Charge Financial Services, the U.S. firm s largest industry division. Mr. Lynch chaired KPMG s Americas Financial Services Leadership team, was a member of the Global Financial Services Leadership and the U.S. Industries Leadership teams and led the Banking & Finance practice. Mr. Lynch also served as a partner in KPMG s Department of Professional Practice and as a Practice Fellow at the Financial Accounting Standards Board. Mr. Lynch was the lead and audit signing partner for some of KPMG s largest financial services clients. Mr. Lynch also is a director of American International Group, Inc., where he is the Chair of the Audit Committee and a member of the Finance and Risk Management Committee.

Nicolas P. Retsinas joined the Board in 2007. He is 63 years old. He is an experienced leader in the governmental and educational sectors, with in-depth knowledge of the mortgage lending and real estate industries. He also has represented consumer and community interests and has demonstrated a career commitment to the provision of housing for low-income households.

Since 1998, Mr. Retsinas has been Director of Harvard University s Joint Center for Housing Studies. He also is a lecturer in Housing Studies at the Graduate School of Design and the Harvard Kennedy School of Government, and is a lecturer in Real Estate at the Harvard Business School. Prior to his Harvard appointment, Mr. Retsinas served as Assistant Secretary for Housing Federal Housing Commissioner at the United States Department of Housing and Urban Development from 1993 to 1998 and as Director of the Office of Thrift Supervision from 1996 to 1997. He served on the Board of the Federal Deposit Insurance Corporation from 1996 to 1997, the Federal Housing Finance Board from 1993 to 1998 and the Neighborhood Reinvestment Corporation from 1993 to 1998. Mr. Retsinas serves on the Board of Trustees for the National Housing Endowment and for Enterprise Community Partners and on the Board of Directors of the Center for Responsible Lending.

Eugene B. Shanks, Jr. joined the Board in December 2008. He is 63 years old. He is an experienced finance executive with leadership and risk management expertise.

Mr. Shanks is a Trustee of Vanderbilt University, a member of the Advisory Board of the Stanford Institute for Economic Policy Research, a director of NewPower Holdings, Inc., and a founding director at The Posse Foundation. From November 2007 until August 2008, Mr. Shanks was the acting Chief Executive Officer of Trinsum Group, Incorporated, a strategic consulting and asset management company. From 1997 until its sale in 2002, Mr. Shanks was President and Chief Executive Officer of NetRisk, Inc., a risk management software and advisory services company he founded. From 1973 to 1978 and from 1980 to 1995, Mr. Shanks held a variety of positions with Bankers Trust New York Corporation, including head of Global Markets from 1986 to 1992 and President and Director from 1992 to 1995.

Anthony A. Williams joined the Board in December 2008. He is 58 years old. He is an experienced leader of state and local governments, with extensive knowledge concerning real estate and housing for low-income individuals. He also has significant experience in financial matters and is an experienced academic focusing on public management issues.

Mr. Williams is the William H. Bloomberg Lecturer in Public Management at Harvard s Kennedy School of Government. Since January 4, 2010, he has served as Executive Director of the Government Practice at The Corporate Executive Board Company. Since May 2009, Mr. Williams has been affiliated with Arent Fox LLP. Prior to this, Mr. Williams served as the Chief Executive Officer of Primum Public Realty Trust, beginning in January 2007. Mr. Williams served as the Mayor of Washington, D.C. from 1999 to January 2007, and as its Chief Financial Officer from 1995 to 1998. In

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2005, Mr. Williams served as Vice Chair of the Metropolitan Washington Council of Governments, and in 2004, Mr. Williams served as President of the National League of Cities. From 1993 to 1995, Mr. Williams was the first Chief Financial Officer for the U.S. Department of Agriculture. From 1991 to 1993, Mr. Williams was the Deputy State Comptroller of Connecticut. From 1989 to 1991, Mr. Williams was the Executive Director of the Community Development Agency of St. Louis, Missouri. From 1988 to 1989, Mr. Williams was an Assistant Director with the Boston Redevelopment Authority where he led the Department of Neighborhood Housing and Development, one of the Authority s four primary divisions. Mr. Williams also is a director of Meruelo Maddux Properties, Inc., where he is a member of the Audit Committee and the Nominating and Corporate Governance Committee.

Authority of the Board and Board Committees

The directors serve on behalf of, and exercise authority as directed by, the Conservator. The Conservator has delegated to the Board and its committees authority to function in accordance with the duties and authorities set forth in applicable statutes, regulations and regulatory examination and policy guidance, and Freddie Mac s Bylaws and Board committee charters, as such duties or authorities may be modified by the Conservator. The Conservator has instructed the Board that it should consult with and obtain the approval of the Conservator before taking action in the following areas:

- actions involving capital stock, dividends, the senior preferred stock purchase agreement, or the Purchase Agreement, between the company and the U.S. Department of the Treasury, or Treasury, increases in risk limits, material changes in accounting policy, and reasonably foreseeable material increases in operational risk;

- creation of any subsidiary or affiliate or any substantial transaction between Freddie Mac and any of its subsidiaries or affiliates, except for transactions undertaken in the ordinary course (*e.g.*, the creation of a trust, real estate mortgage investment conduit (REMIC), real estate investment trust (REIT) or similar vehicle);

- matters that relate to conservatorship, such as, but not limited to, the initiation of, and material actions in connection with, significant litigation addressing the actions or authority of the Conservator, repudiation of contracts, qualified financial contracts in dispute due to our conservatorship and counterparties attempting to nullify or amend contracts due to our conservatorship;

- actions involving hiring, compensation and termination benefits of directors and officers at the executive vice president level and above (including, regardless of title, executive positions with the functions 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);

- actions involving the retention and termination of external auditors and law firms serving as consultants to the Board;

- settlements in excess of $50 million of litigation, claims, regulatory proceedings or tax-related matters;

- any merger with or purchase or acquisition of a business involving consideration in excess of $50 million; and

- any action that, in the reasonable business judgment of the Board at the time that the action is taken, is likely to cause significant reputation risk.

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The Board has five standing committees: Audit; Business and Risk; Compensation; Executive; and Nominating and Governance. The membership of current Board members on each committee is shown in the table below.

Director	Audit	Business and Risk	Compensation	Executive	Nominating and Governance
L. Bammann		Chair	X	X	
C. Byrd	X				X
R. Glauber	X			X	Chair
C. Haldeman				X	
L. Hirsch		X			X
J. Koskinen				Chair	
C. Lynch	Chair		X	X	
N. Retsinas		X			X
E. Shanks		X	Chair	X	
A. Williams	X				X

The charters reflecting the duties of the committees have been adopted by the Board and approved by the Conservator. All the charters of the standing committees are available on our website at www.freddiemac.com/governance/bd_committees.html.

Freddie Mac s Board has an independent Non-Executive Chairman, whose responsibilities include presiding over meetings of the Board, regularly scheduled executive sessions of the non-employee directors and executive sessions including only the independent directors that occur at least once annually if any of the non-employee directors are not independent. Mr. Koskinen was appointed to the position of Non-Executive Chairman by the Conservator in September 2008. He served in that position until March 13, 2009, when he assumed the position of Interim Chief Executive Officer. He resumed his duties as the Non-Executive Chairman on August 10, 2009 after Mr. Haldeman became Chief Executive Officer. Mr. Glauber assumed the position of Interim Non-Executive Chairman during the same period that Mr. Koskinen temporarily vacated that position.

Communications with Directors

Interested parties wishing to communicate any concerns or questions about Freddie Mac to the Non-Executive Chairman of the Board or to our non-employee directors as a group may do so by U.S. mail, addressed to the Corporate Secretary, Freddie Mac, Mail Stop 200, 8200 Jones Branch Drive, McLean, VA 22102-3110. Communications may be addressed to a specific director or directors or to groups of directors, such as the independent or non-employee directors.

Executive Officers

As of April 8, 2010, our executive officers are as follows:

Name	Age	Year of Affiliation	Position
Charles E. Haldeman, Jr.	61	2009	Chief Executive Officer
Bruce M. Witherell	50	2009	Chief Operating Officer
Ross J. Kari	51	2009	Executive Vice President Chief Financial Officer

Donald J. Bisenius	51	1992	Executive Vice President	Single Family Credit Guarantee Business
Robert E. Bostrom	57	2006	Executive Vice President	General Counsel & Corporate Secretary
Paul G. George	58	2005	Executive Vice President	Human Resources & Corporate Services
Michael Perlman	59	2007	Executive Vice President	Operations & Technology
Raymond G. Romano	48	2004	Executive Vice President	Chief Credit Officer
Peter J. Federico	44	1988	Senior Vice President	Investments & Capital Markets and Treasurer
Timothy F. Kenny	48	2007	Senior Vice President	General Auditor
Michael C. May	51	1983	Senior Vice President	Multifamily
Hollis S. McLoughlin	59	2004	Senior Vice President	External Relations
Paul E. Mullings	59	2005	Senior Vice President	Single Family Sourcing
Jerry Weiss	52	2003	Senior Vice President	Compliance, Regulatory Affairs and Mission, and Chief Compliance Officer
Paige H. Wisdom	48	2008	Senior Vice President	Chief Enterprise Risk Officer

The following is a brief biographical description of each executive officer who is not also a member of the Board.

Bruce M. Witherell was appointed Freddie Mac s Chief Operating Officer effective September 2009. From May 2008 until he joined Freddie Mac, Mr. Witherell served as Managing Director of PrimeStone Partners, LLC, a private investment and advisory firm. Previously, Mr. Witherell served as Managing Director and Global Co-Head of the residential mortgage business of Morgan Stanley, a global financial services firm, from December 2006 to May 2008. Before his service at Morgan Stanley, he worked in various roles at Lehman Brothers Holdings Inc., a global investment bank, for 15 years, including as Chief Executive Officer of Lehman Brothers Bank and as Chief Executive Officer of Aurora Loan Services from 2003 to 2006.

Ross J. Kari was appointed the company s Executive Vice President Chief Financial Officer, effective October 2009. Mr. Kari joined Freddie Mac from Fifth Third Bancorp, a financial services firm, where he served as Executive Vice President and Chief Financial Officer beginning in November 2008. Previously, he served as Executive Vice President and Chief Financial Officer of Safeco Corporation, an insurance firm, from June 2006 to October 2008. Prior to that, Mr. Kari served as Executive Vice President and Chief Operating Officer of the Federal Home Loan Bank of San Francisco, a government sponsored enterprise and part of the Federal Home Loan Bank System, from February 2002 to June 2006. Mr. Kari is a member of the board of directors of KKR Financial Holdings LLC where he is the Chairman of the Audit Committee.

Donald J. Bisenius was appointed Executive Vice President Single Family Credit Guarantee in May 2009. Prior to holding his current position, he served as Senior Vice President Single Family Credit Guarantee from May 2008 until May 2009 and Senior Vice President Credit Policy and Portfolio Management from November 2003 until April 2008. From October 2001 until October 2003. Mr. Bisenius was Senior Vice President Credit Risk Management. Prior to that, he served in a number of positions with Freddie Mac since joining us in January 1992. Before his service at Freddie Mac, Mr. Bisenius served in a variety of positions with the Federal Housing Finance Board and the Federal Home Loan Bank Board in Washington, DC.

Robert E. Bostrom was appointed Executive Vice President General Counsel & Corporate Secretary in February 2006. Prior to joining us, Mr. Bostrom was the managing partner of the New York office of Winston & Strawn LLP, a member of that firm s executive committee and head of its financial institutions practice. Mr. Bostrom originally joined Winston & Strawn in 1990. From 1992 until 1996, Mr. Bostrom served as Executive Vice President of Legal, Regulatory and Compliance and General Counsel of National Westminster Bancorp.

Paul G. George was appointed Executive Vice President Human Resources & Corporate Services in December 2006. He joined us in August 2005 as Executive Vice President, Human Resources. Prior to joining us, Mr. George was Senior Executive Vice President of Human Resources at Wachovia Corp. from July 1999 through December 2004. Prior to that, he was a member of Waste Management Inc. s interim management team from 1998 to 1999. He also served for approximately nine years as Senior Vice President of Human Resources at United Airlines. Between 1985 and 1988 he was Vice President of Human Resources at Pacific Southwest Airlines. Prior to that, he was a partner at the law firm Meserve, Mumper & Hughes.

Michael Perlman was appointed Executive Vice President Operations & Technology in August 2007. Prior to joining us, Mr. Perlman was a managing director at Morgan Stanley until July 2007, where he developed operations and technology infrastructure to support their Fixed Income and Global Operations Divisions. Mr. Perlman also played significant roles in building Morgan Stanley s institutional processing systems. Before joining Morgan Stanley in September 1997, Mr. Perlman was a founding partner at AT&T Solutions Financial Services Group and a partner in the Washington, DC and New York offices of Deloitte & Touche, where he specialized in large-scale business and technology renovation.

Raymond G. Romano was appointed Executive Vice President Chief Credit Officer in April 2009. Prior to this appointment, he served as our Senior Vice President Chief Credit Officer from December 2008 until March 2009 and as acting Chief Credit Officer from September 2008 until December 2008. Before being appointed Chief Credit Officer, Mr. Romano served as Senior Vice President Credit Risk Oversight, a position he held since March 2004. Prior to that, Mr. Romano served as Senior Vice President and Chief

Credit Risk Officer and other executive positions at different major financial institutions including North American Mortgage Company in Tampa, Dime Savings Bank of NY, and with Citicorp s Investment Bank.

Peter J. Federico was appointed Senior Vice President Investments & Capital Markets and Treasurer in May 2009. In this position, Mr. Federico is responsible for managing all of Freddie Mac s mortgage investment activities for the mortgage-related investments portfolio. He also manages the company s short- and long-term debt issuance program. Mr. Federico joined Freddie Mac in 1988. From December 2008 until May 2009, he served as Treasurer and Senior Vice President Treasury & Liability Management, a position in which he was responsible for managing the company s debt and equity funding, as well as its Liquidity & Contingency Portfolio of non-mortgage investments. From March 2006 to December 2008, Mr. Federico served as Senior Vice President Asset & Liability Management, managing the interest rate risks associated with the company s mortgage investment and guarantee businesses. In that position, he also was responsible for the management of Freddie Mac s Liquidity and Contingency Portfolio. He was named Vice President, Asset & Liability Management, in 2000.

Timothy F. Kenny was appointed Senior Vice President General Auditor in July 2008. Prior to this appointment, Mr. Kenny served as Vice President and Interim General Auditor starting in May 2008. Before that, he served as our Vice President, Assistant General Auditor from September 2007 to May 2008. From 2001 to 2007, Mr. Kenny was a Managing Director with BearingPoint, Inc. (formerly KPMG Consulting, Inc.) where he directed a large team of financial professionals on a variety of financial risk management consulting projects with Ginnie Mae, the Federal Housing Administration, private sector mortgage bankers and other federal credit agencies. He was appointed a member of the BearingPoint, Inc. 401(k) Plan Committee in 2004 and served as a member until his resignation in 2007. He joined KPMG LLP, the predecessor organization to KPMG Consulting, in 1986, was promoted to a KPMG Audit Partner in 1997, and served in that position until the separation of KPMG Consulting from KPMG LLP in February 2001.

Michael C. May was appointed Senior Vice President Multifamily in August 2005. Prior to this appointment, Mr. May served as our Senior Vice President, Operations starting in February 2005. He also served as Senior Vice President, Mortgage Sourcing, Operations & Funding from November 2003 to February 2005. Prior to that, Mr. May held the positions of Senior Vice President, Single Family Operations from July 2002 through October 2003 and Senior Vice President, Project Enterprise from January 2001 to July 2002. Mr. May also held various positions at our company since joining us in 1983.

Hollis S. McLoughlin was appointed Senior Vice President External Relations in September 2008. Prior to that he served as Senior Vice President External Relations and Chief of Staff from April 2008 until September 2008. Prior to this appointment, Mr. McLoughlin served as our Senior Vice President, External Relations starting in January 2006. He also served as Senior Vice President and Chief of Staff from April 2004 to January 2006. During the period from 1998 until 2004, Mr. McLoughlin was Chief Operating Officer of two private equity-backed operating companies. Before that, he was one of the founding partners of Darby Overseas, a private equity partnership based in Washington, D.C. He also has been a senior executive at Purolator Courier, an overnight delivery company, and a privately held transportation company. Mr. McLoughlin served from 1989 through 1992 as assistant secretary of the Treasury under President George Bush, where he was responsible for the coordination of all policy and management of several key internal functions. He served as chief of staff to Sen. Nicholas Brady, R-N.J., in 1982 and to Rep. Millicent Fenwick, R-N.J., from 1975 to 1979.

Paul E. Mullings was appointed Senior Vice President Single Family Sourcing in July 2005. Before joining us, Mr. Mullings was Senior Vice President of JPMorgan Chase and Mortgage Finance Manager and Fair Lending Executive at Chase Home Finance. Prior to joining Chase Home Finance in 1997, Mr. Mullings was President and Chief Executive Officer of Mortgage Electronic Registration Systems, Inc. Mr. Mullings was also President and Chief Executive Officer of the residential mortgage division of First Interstate Bank, Los Angeles. Prior to First Interstate,

he held a series of senior management positions with increasing responsibilities at Glendale Federal Bank, Glendale, California.

Jerry Weiss was appointed Senior Vice President Compliance, Regulatory Affairs and Mission, and Chief Compliance Officer in April 2009. More recently, he has also become responsible for overseeing both

the company s affordable housing mission and activities related to the President s Making Home Affordable Program. Mr. Weiss served as Senior Vice President Compliance and Regulatory Affairs and Chief Compliance Officer from April 2008 until April 2009. Prior to this appointment, Mr. Weiss served as our Senior Vice President and Chief Compliance Officer since joining us in October 2003. Prior to joining us, Mr. Weiss worked from 1990 at Merrill Lynch Investment Managers, most recently as First Vice President and Global Head of Compliance. From 1982 to 1990, Mr. Weiss was with a national law practice in Washington, D.C., where he specialized in securities regulation and corporate finance matters.

Paige H. Wisdom was appointed Senior Vice President Chief Enterprise Risk Officer in April 2010. Prior to this appointment, she served as the Senior Vice President Business Unit Chief Financial Officer from January 2008 through March 2010. From August 2004 until December 2007, Ms. Wisdom served as a Business Unit Chief Financial Officer at Bank of America for key businesses including Global Business and Financial Services; Business, Lending, and Global Technology; and Service and Fulfillment. Prior to joining Bank of America, Ms. Wisdom served at Bank One Corporation/JP Morgan from June 2000 until July 2004, most recently as the Chief Financial Officer, Corporate Bank. Prior to that she served in leadership positions with increasing responsibilities at UBS/Warburg Dillon Read, Citibank Salomon Smith Barney, and Swiss Bank Corporation/SBC Warburg Dillon Read.

Section 16(a) Beneficial Ownership Reporting Compliance

Section 16(a) of the Exchange Act requires the directors and executive officers of a reporting company and persons who own more than 10% of a registered class of such company s equity securities to file reports of ownership and changes in ownership with the SEC and the exchange on which such company s securities trade, and to furnish the company with copies of the reports. Based solely on a review of such reports, we believe that during 2009 our directors and executive officers complied with such reporting obligations.

Codes of Conduct

We have separate codes of conduct applicable to employees and to Board members that outline the principles, policies and laws governing their activities. Upon joining Freddie Mac or its Board, all employees and directors, respectively, are required to sign acknowledgements that they have read the applicable code and agree to abide by it. In addition, all employees and directors must respond to an annual questionnaire concerning code compliance. The employee code also serves as the code of ethics for senior executives and financial officers required by the Sarbanes-Oxley Act and SEC regulations. Copies of our employee and director codes of conduct are available, and any amendments or waivers that would be required to be disclosed are posted, on our website at www.freddiemac.com.

Indemnification Agreements

Freddie Mac has entered into an indemnification agreement with each of its current directors and executive officers (except for Ms. Wisdom) (each, an indemnitee). A copy of the form of indemnification agreement is filed as Exhibit 10.2 to our Form 8-K filed on December 23, 2008 and is incorporated herein by reference.

The indemnification agreements provide that Freddie Mac will indemnify the indemnitee to the fullest extent permitted by Freddie Mac s Bylaws and Virginia law. This obligation includes, subject to certain terms and conditions, indemnification against all liabilities and expenses (including attorneys fees) actually and reasonably incurred by the indemnitee in connection with any threatened or pending action, suit or proceeding, except such liabilities and expenses as are incurred because of the indemnitee s willful misconduct or knowing violation of criminal law. The indemnification agreements provide that if requested by the indemnitee, Freddie Mac will advance expenses, subject to repayment by the indemnitee of any funds advanced if it is ultimately determined that the indemnitee is not entitled to indemnification. The rights to indemnification under the indemnification agreements are not exclusive of any other

right the indemnitee may have under any statute, agreement or otherwise. Freddie Mac s obligations under the indemnification agreements will continue after the indemnitee is no longer a director or officer of the company with respect to any possible claims based on the fact that the indemnitee was a director or officer, and the indemnification agreements will remain in effect

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in the event the conservatorship is terminated. The indemnification agreements also provide that indemnification for actions instituted by FHFA will be governed by the standards set forth in FHFA s Notice of Proposed Rulemaking published in the Federal Register on November 14, 2008, proposing an amendment to FHFA s interim final golden parachute payments regulation to address prohibited and permissible indemnification payments. In January 2009, FHFA issued final regulations relating to golden parachute payments. Under those final regulations, FHFA may limit golden parachute payments, and the regulations set forth factors to be considered by the Director of FHFA in acting upon his authority to limit these payments. A new proposed rule was published by FHFA in June 2009 that has not yet been adopted in final form. In general, this proposal would give FHFA the authority to prohibit indemnification payments in cases involving administrative proceedings before FHFA or civil actions initiated by FHFA.

Audit Committee Financial Expert

We have a standing Audit Committee that satisfies the audit committee definition under Section 3(a)(58)(A) of the Exchange Act, the requirements of Rule 10A-3 under the Exchange Act and Sections 303A.06 and 303A.07 of the New York Stock Exchange, or NYSE, Listed Company Manual. The current members of the Audit Committee are Carolyn H. Byrd, Robert R. Glauber, Christopher S. Lynch and Anthony A. Williams, all of whom the Board determined in March 2010 are independent within the meaning of Rule 10A-3 under the Exchange Act and Section 303A.02 of the NYSE Listed Company Manual.

Mr. Lynch has been a member of the Audit Committee since December 18, 2008 and currently is its chairman. The Board determined in March 2010 that Mr. Lynch meets the definition of an audit committee financial expert under SEC regulations.

ITEM 11. EXECUTIVE COMPENSATION

COMPENSATION DISCUSSION AND ANALYSIS

Our Compensation Discussion and Analysis addresses the following items:

- Statutory and Regulatory Framework for Oversight of Compensation Programs
- Role of the Compensation Committee
- Named Executive Officers for 2009
- Executive Management Compensation Program
- Written Agreements Relating to Employment of CEO and CFO
- Other Executive Compensation Considerations

Under conservatorship, we have a variety of different, and potentially competing, objectives, including:

- providing liquidity, stability and affordability to the mortgage market;
- continuing to provide additional assistance to the struggling housing and mortgage markets;
- reducing the need to draw funds from Treasury pursuant to the Purchase Agreement;
- returning to long-term profitability; and
- protecting the interests of taxpayers.

Working toward these various objectives requires us to hire, retain and motivate executives to implement our business strategies effectively and respond to changing market conditions. Our executive compensation policies and practices are intended to support our ability to achieve these goals.

The importance of achieving these goals was recognized by FHFA Acting Director DeMarco in his February 2, 2010 letter to Congressional leaders on the status of the conservatorship of Freddie Mac and Fannie Mae:

The senior executives [of the Enterprises] are essential to the Enterprises fulfilling the important goals of the conservatorships. It is critical to retain existing staff, including many senior managers, and critical to attract new executive management to fill the vacancies. The challenge of meeting this goal with companies in conservatorship is immense. The Enterprises operate with an uncertain future that will be the source of much public debate. As conservator, I believe it is critical to protect the taxpayer interests in the Enterprises by ensuring that each company has experienced, qualified people managing the day-to-day business operations in the midst of this uncertainty.

Statutory and Regulatory Framework for Oversight of Compensation Programs

Federal statutes have provided for regulatory oversight of our executive compensation for many years. Regulatory authorities with respect to compensation were expanded in July 2008 with the enactment of the Reform Act and further expanded when we entered conservatorship in September 2008. Set forth below is a summary of the sources of FHFA s authority with respect to our compensation programs:

When the Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (FHEFSSA) established the Office of Federal Housing Enterprise Oversight (OFHEO), FHFA s predecessor, as our safety and soundness regulator, it provided OFHEO with authority to prohibit executive compensation that is not reasonable and comparable with practices at other similar businesses. In addition, FHEFSSA required OFHEO approval for any termination benefits to be paid to our executive officers.

The Reform Act established FHFA as the successor to OFHEO and provided FHFA with additional authorities with respect to executive compensation, including the ability to withhold compensation for

executive officers and the temporary authority (effective through the end of 2009) to approve, disapprove or modify executive compensation.

When FHFA was appointed as our Conservator in September 2008, it not only retained all of the regulatory authority provided by statute, but also assumed all of the rights, titles, powers and privileges of the company and its stockholders, directors and management, including the authority to set executive compensation. Under the terms of the Purchase Agreement, FHFA is required to consult with Treasury on compensation matters for our executive officers.

Under the Reform Act and regulations issued by FHFA, the Director of FHFA has the authority to prohibit or limit us from making any golden parachute payment to specified categories of persons, including the named executive officers. A golden parachute payment is defined to include any payment that: (1) either is contingent on, or by its terms is payable on or after, the termination of a person s primary employment or affiliation with us and (2) is received on or after the date on which a conservator was appointed for us. Under the regulations, the term golden parachute payment does not include certain payments including: (1) a payment made pursuant to a tax-qualified pension or retirement plan, (2) a payment pursuant to a bona fide deferred compensation plan or arrangement that the Director of FHFA determines, by regulation or order, to be permissible, or (3) a payment made by reason of death or by reason of termination caused by disability.

Under conservatorship, the incentives available for our executive officers have been significantly limited, as previously awarded equity compensation has lost almost all of its value, and no performance-based cash bonuses or equity awards were made for 2008. Given the uncertainties regarding the company s future status to which the conservatorship and related developments gave rise, FHFA in September 2008 structured and Freddie Mac subsequently adopted a retention program to encourage the remaining executive officers and other key employees to stay with the company. The awards made in 2008 under the Retention Program to named executive officers provided for cash payments in three installments during 2008 and 2009, with a fourth, performance-based installment payable in March 2010 if the executive achieved certain performance objectives. See Executive Management Compensation Program Determination of 2009 Performance Year Compensation for Named Executive Officers.

In addition, in order to provide a comprehensive program for executive compensation that balances the interest of the government and the public in efficient management of the company against the need to attract and retain managers with the skills required to lead the company in this challenging environment, the Board of Directors, with the approval of FHFA after consulting with Treasury, adopted the Executive Management Compensation Program and made compensation decisions with respect to 2009 and 2010. These actions and the reasons they were taken are discussed below under Executive Management Compensation Program.

Role of the Compensation Committee

As described above, FHFA has reconstituted our Board and appointed a Compensation Committee. Although the Compensation Committee (which we sometimes refer to as the Committee) takes the lead role in considering and recommending executive compensation, the following circumstances will affect the Committee s exercise of its authority:

Our directors serve on behalf of FHFA and exercise their authority as directed by FHFA. More information about the role of our directors is provided above in Item 10 Directors, Executive Officers and Corporate Governance Authority of the Board and Board Committees.

FHFA, as our Conservator, has directed that our Board consult with and obtain FHFA s approval before taking any action involving compensation or termination benefits for any officer at the executive vice president level

and above and including, regardless of title, executives who hold positions with the functions 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.

While we are in conservatorship, FHFA, as our Conservator, retains the authority not only to approve both the terms and amount of any compensation to any of our executive officers, but also to modify any such arrangements.

Under the terms of the Purchase Agreement, we may not enter into any new compensation arrangements or increase amounts or benefits payable under existing compensation arrangements of any executive officer without the consent of the Director of FHFA, in consultation with the Secretary of the Treasury.

Under the terms of the Purchase Agreement, we may not sell or issue any equity securities without the prior written consent of Treasury, other than as required by the terms of any binding agreement in effect on the date of the Purchase Agreement. This provision restricts our ability to offer equity-based compensation.

Named Executive Officers for 2009

The following eight individuals were determined to be the named executive officers of Freddie Mac for the year ended December 31, 2009:

Charles E. Haldeman, Jr., Chief Executive Officer
David M. Moffett, former Chief Executive Officer
John A. Koskinen, former Interim Chief Executive Officer
(also performed function of principal financial officer on interim basis)
Ross J. Kari, Executive Vice President Chief Financial Officer
David B. Kellermann, former Acting Chief Financial Officer
Robert E. Bostrom, Executive Vice President General Counsel & Corporate Secretary
Peter J. Federico, Senior Vice President Investments & Capital Markets and Treasurer
Michael Perlman, Executive Vice President Operations & Technology

Information about the types and amounts of compensation paid to these individuals during 2009 is set forth below under Compensation Tables.

Executive Management Compensation Program

Overview of Program Structure and Objectives

Our senior management, Compensation Committee and Board of Directors worked closely with FHFA over the course of several months to develop and refine the overall structure of our executive management compensation program for named executive officers. On December 24, 2009, Freddie Mac announced that it had adopted, with the approval of FHFA and in consultation with Treasury, an Executive Management Compensation Program (the Executive Compensation Program) covering the compensation of Freddie Mac executives in the following positions: chief executive officer (CEO), chief operating officer (COO), chief financial officer (CFO), executive vice presidents (EVPs), and senior vice presidents (SVPs) (each, a Covered Officer). All of the named executive officers for 2009 (except for Messrs. Moffett, Koskinen and Kellermann) are Covered Officers under the Executive Compensation Program.

Copies of the Executive Management Compensation Program, the Executive Management Compensation Recapture Policy and certain other documents setting forth the terms of the Executive Compensation Program were filed as Exhibits 10.1 through 10.4 to the Form 8-K announcing the adoption of the Executive Compensation Program (the Compensation Program Form 8-K).

The Executive Compensation Program reflects the principles established by Treasury s executive compensation guidelines for companies receiving federal assistance, as well as several key principles that are specific to Freddie Mac. First, the Executive Compensation Program was designed to closely align executive pay with corporate performance, to be measured primarily by the company s achievements in its important mission of providing liquidity, stability and affordability to a troubled mortgage market, together with consideration of certain financial, infrastructure development and other objectives. These objectives reflect the company s responsibilities under its charter and in conservatorship, as well as guidance from the Conservator

and the requirements of the Purchase Agreement with Treasury. Second, the Executive Compensation Program establishes strict recapture provisions that protect the interests of the company and taxpayers. Third, the Executive Compensation Program 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 the conservatorship and related developments. As FHFA s Acting Director stated in testimony before the House Financial Services Committee on February 25, 2010, the Executive Compensation Program is designed to align pay with taxpayer interests . . . [and] adopt or expand on compensation reforms advanced by the Special Master for firms receiving exceptional TARP assistance.

One key difference in the Executive Compensation Program as compared with programs of many other companies receiving federal assistance is that Freddie Mac cannot provide equity-based compensation to its employees under the terms of the company s Purchase Agreement with Treasury, unless such grants are approved by Treasury. In his February 25, 2010 testimony to the House Financial Services Committee, the Acting Director of FHFA described stock compensation as ineffective for an enterprise in conservatorship because of the depressed value of the enterprise s stock, and also cautioned that large grants of low-priced stock could provide substantial incentives for executives to seek and take large risks. Therefore, compensation under the Executive Compensation Program will be delivered entirely in cash.

The Executive Compensation Program is effective for calendar years 2009, 2010, and thereafter as long as Freddie Mac remains in conservatorship. The specific parameters of the Executive Compensation Program may be amended from time to time by the Compensation Committee, if approved by FHFA after consulting with Treasury.

Participation by a Covered Officer in the Executive Compensation Program is contingent upon the Covered Officer agreeing to be bound by the terms of a recapture arrangement that has been approved by both the Compensation Committee and FHFA. In the case of the current CEO and CFO, this recapture arrangement is set forth in the recapture agreements signed by the respective executives at the time of their hiring. In the case of all other Covered Officers, the recapture arrangement is set forth in the Executive Management Compensation Recapture Policy, or the Recapture Policy, discussed below.

A summary of the Executive Compensation Program is set forth below.

Total Direct Compensation

For purposes of the Executive Compensation Program, a Covered Officer s target total direct compensation, or Target TDC, consists of the sum of Semi-Monthly Base Salary and Deferred Base Salary (which we refer to collectively as Base Salary), and Target Incentive Opportunity. Under the Executive Compensation Program, two-thirds of a Covered Officer s Target TDC will consist of Base Salary and one-third will consist of Target Incentive Opportunity. These components of the Target TDC are explained below. The Target TDC is established for each annual performance cycle. The amount of TDC actually received that is attributable to that performance cycle is referred to as Actual TDC.

As described below, the Executive Compensation Program provides for a significant amount of compensation that is performance-based and/or subject to mandatory deferral, including the entire Incentive Opportunity and, beginning in 2010, 50% of Deferred Base Salary. The objectives of this compensation structure are to link executive compensation to corporate and individual performance and to provide executives with incentives to remain with the company. As a result, for 2009 the amount of the Incentive Opportunity that is actually paid to a Covered Officer is determined by corporate and individual performance and may be more or less than the target. Other factors may also influence the amount of total Target Incentive Opportunity paid, such as exercises of discretion by the Chief Executive Officer, the Compensation Committee and the Board of Directors, considering such factors as they may deem appropriate in the

compensation assessment process, subject to the approval of FHFA. However, the aggregate amount paid to all Covered Officers as a group cannot exceed the amount of the approved pool of funds for the group. Similarly, the performance-based portion of Deferred Base Salary earned in 2010 and subsequent years will be based on corporate performance

and other discretionary factors that may result in the actual amount paid being more or less than the target for Deferred Base Salary.

Base Salary. A Covered Officer s Base Salary for each year will consist of the following two components:

Semi-Monthly Base Salary. This portion of Base Salary is paid in cash on a semi-monthly basis during each calendar year and cannot exceed $500,000 per year, except for the CEO, COO, and CFO, or other exceptions as approved from time to time by FHFA. For any Covered Officer other than the CEO, COO and CFO whose Semi-Monthly Base Salary was greater than $500,000 immediately prior to the adoption of the Executive Compensation Program, that Covered Officer s Semi-Monthly Base Salary was reduced to $500,000 effective January 1, 2010.

Deferred Base Salary. This portion of Base Salary is earned during one year but not paid until the following year. Deferred Base Salary earned in 2009 will be paid in a fixed amount in quarterly installments on the last business day of the corresponding quarter of 2010, provided the Covered Officer is actively employed by the company on such payment date (subject to certain exceptions, including the Covered Officer s death, long-term disability or retirement during 2010).

Fifty percent of the Deferred Base Salary for 2010 and later years will be earned during each calendar quarter and paid in a fixed amount on the last business day of the corresponding quarter of the following calendar year, provided the Covered Officer is actively employed by the company on such payment date (subject to certain exceptions, including the Covered Officer s death, long-term disability or retirement). The remaining 50% of Deferred Base Salary will be performance-based and will be paid based on the Compensation Committee s approved funding level for the short-term incentive (STI) plan (*i.e.*, the plan applicable to employees at the level of Vice President and below) for the performance year in which the performance-based portion of the Deferred Base Salary is earned. The amount of performance-based Deferred Base Salary actually paid may also be influenced by other factors, such as exercises of discretion by the Chief Executive Officer, the Compensation Committee and the Board of Directors, considering such factors as they may deem appropriate in the compensation assessment process, subject to the approval of FHFA.

The approved funding level for the STI plan is based on the Compensation Committee s assessment of Freddie Mac s performance against corporate objectives as well as the Compensation Committee s assessment of other factors it determines are appropriate. The approved funding level for the STI plan, expressed as a percentage, will be equal to the amount of STI funds approved for distribution to employees at the level of Vice President and below divided by the aggregate STI target for those same employees.

The provisions of the Executive Compensation Program relating to Deferred Base Salary will be administered in accordance with the Freddie Mac Mandatory Executive Deferred Base Salary Plan, which was filed as Exhibit 10.2 to the Compensation Program Form 8-K.

Target Incentive Opportunity. For each performance year, every Covered Officer will be provided an annual Target Incentive Opportunity, which will be equal to one-third of the Covered Officer s annual Target TDC. Fifty percent of the Target Incentive Opportunity is scheduled to be paid no later than March 15 of the first calendar year immediately following the year of grant and is subject to performance conditions with respect to the year of grant (the first Incentive Opportunity Payment). The other 50% is scheduled to be paid no later than March 15 of the second calendar year following the year of grant and is subject to performance conditions with respect to the year following the year of grant (the second Incentive Opportunity Payment). Both Incentive Opportunity Payments are subject to the condition that the Covered Officer is actively employed by the company on the relevant payment date (subject to certain exceptions, including the Covered Officer s death, long-term disability or retirement).

The aggregate amount of the Target Incentive Opportunity actually paid will be based on the Compensation Committee s approved funding level for the long-term incentive (LTI) plan (*i.e.*, the plan applicable to employees at the level of Vice President and below) for the LTI grant made in the calendar year

that corresponds to the Covered Officers Target Incentive Opportunity. The amount actually paid may also be influenced by other factors, such as exercises of discretion by the Chief Executive Officer, the Compensation Committee and the Board of Directors, considering such factors as they may deem appropriate in the compensation assessment process, subject to the approval of FHFA.

The approved funding level for the LTI plan is based on the Compensation Committee s assessment of Freddie Mac s performance against specific performance measures as well as the Compensation Committee s assessment of other factors it deems appropriate. The approved funding level for the LTI plan, expressed as a percentage, will be equal to the amount of LTI funds approved for distribution to employees at the level of Vice President and below divided by the aggregate LTI targets for those same employees.

Performance Measures for 2009 Target Incentive Opportunity

The following summarizes the performance measures used by the Compensation Committee for the LTI grant made in 2009 and in the process of determining the amount of the first Incentive Opportunity Payment paid to Covered Officers in March 2010, and to be used by the Committee in the process of determining the amount of the second Incentive Opportunity Payment to be paid to Covered Officers in 2011. These performance measures were approved by FHFA.

First Incentive Opportunity Payment:

The company s remediation of specific internal control, accounting, and operational deficiencies and other safety and soundness concerns (together, Matters Requiring Attention or MRAs) that were identified by FHFA and existing at the inception of conservatorship and were scheduled to be remediated prior to January 1, 2010. Of the original 97 MRAs existing at conservatorship, 93 were scheduled to be remediated prior to January 1, 2010.

The 93 MRAs comprised a wide array of specific action items falling into five general categories:

Credit risk and loan loss reserves;

Internal controls;

Financial modeling;

Accounting and forecasting; and

Board governance.

Remediation of a specific MRA is generally deemed to be complete when appropriate remediation actions have been completed by the business unit responsible for the MRA, validated by the Internal Audit division as appropriate, and communicated to FHFA. These steps were completed for all 93 MRAs for 2009.

Second Incentive Opportunity Payment:

The company s remediation of MRAs that are scheduled to be remediated in 2010;

The company s avoidance of any repeat MRAs that are identical to MRAs that were remediated in 2009; and

The company s successful completion of milestones designed to increase operational efficiency and controls in our business units, as well as improve the customer service experience for our seller/servicers through business process re-engineering and technology improvements.

For Covered Officers who are members of the Freddie Mac Management Committee on the date the Compensation Committee approves the LTI funding level, the amount of the Target Incentive Opportunity that is paid, if any, is also subject to an assessment of division and/or individual performance as determined by the Chief Executive Officer or, in the case of the Chief Executive Officer, the Board of Directors. This assessment can result in an increase or decrease of up to 25% to the amount of the related award for any individual officer. The amount of the Target Incentive Opportunity that is paid is also subject to exercises of discretion

by the Chief Executive Officer, the Compensation Committee and the Board of Directors, which can affect the amount of the Target Incentive Opportunity actually paid to any Covered Officer, subject to FHFA approval. In the aggregate, the amount paid to all Covered Officers as a group cannot exceed the amount of the approved pool of funds for the group. Each of our named executive officers (except for Messrs. Moffett, Koskinen and Kellermann) was a member of the Freddie Mac Management Committee on the date the Compensation Committee approved the 2009 LTI funding level.

Determination of 2009 and 2010 Target TDC for Named Executive Officers

Step 1: Gathering Comparative Market Compensation Data. As part of its process to establish each named executive officer s Target TDC under the Executive Compensation Program, the Compensation Committee reviewed the compensation of executives in comparable positions at companies that are either in a similar line of business or are otherwise comparable for purposes of recruiting and retaining individuals with the requisite skills and capabilities. We refer to this group of companies as the Comparator Group. In 2009, the Committee reviewed and discussed the composition of the Comparator Group with its compensation consultant, Steven Hall & Partners, and determined that the following companies should be included:

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

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

In the event there is insufficient data from the Comparator Group for any of the named executive officer positions, or if Steven Hall & Partners believes that additional data sources would strengthen the analysis of competitive market compensation levels, the Committee can approve the use of alternative survey sources to make these assessments. The assessment for each position begins with the Comparator Group data. If a review of the Comparator Group information indicates that there is no reasonable match or insufficient data in the Comparator Group for a particular position, the Committee uses alternative survey sources. The alternative survey sources used by the Compensation Committee were compensation surveys published by human resources consulting firms Hewitt Associates, Towers Watson and McLagan, an Aon consulting company. These consulting firms do not attribute the data in their surveys to the companies that participate in their surveys, to preserve confidentiality and encourage continuing participation.

The Committee believes that the financial services companies covered by these alternative survey sources represent the company s relevant labor market and that the use of these sources strengthens the Committee s analysis of market compensation levels. For example, while a chief financial officer position might have data matches for named executive officers in most or all of the 19 Comparator Group companies, a general counsel might have a smaller number of matches, making the use of one or more alternative survey sources a useful supplement to the Comparator Group data.

In establishing the named executive officers 2009 and 2010 Target TDC, the Committee reviewed 2009 data from the Comparator Group and alternative survey sources. The Committee also took into consideration 2008 data in establishing target TDC. Specifically, for the positions of Chief Executive Officer, Chief Financial Officer, and Executive Vice President General Counsel and Corporate Secretary, the Committee, at the recommendation of Steven Hall & Partners, reviewed competitive market compensation data from the Comparator Group and surveys published by Hewitt Associates and Towers Watson. For the position of Executive Vice President Operations and Technology, the Committee reviewed competitive market data from the Comparator Group, as well as surveys published by McLagan and Towers Watson. For the position of Senior Vice President Investments & Capital Markets and Treasurer, the Committee reviewed

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competitive market data from a survey published by McLagan, because no reasonable match was available in the Comparator Group.

For additional information on the role of Steven Hall & Partners in the Compensation Committee s determination of the compensation of named executive officers, see Other Executive Compensation Considerations Role of Compensation Consultants.

Step 2: Establishing Target Total Direct Compensation. With respect to the Target TDC for the named executive officers, the Compensation Committee, working with Steven Hall & Partners, either developed recommendations or reviewed recommendations presented by senior management and its compensation consultant (Hewitt Associates). The recommendations considered the compensation of executives in comparable positions in the Comparator Group and alternative survey sources. See Determination of 2009 and 2010 Target TDC for Named Executive Officers Step 1: Gathering Comparative Market Compensation Data.

In setting Target TDC levels for our named executive officers, the Compensation Committee used as a guideline the market median, or 50th percentile of the total direct compensation, consisting of base salary, annual bonus and annual long-term equity awards, paid to comparable positions at Comparator Group companies, or in the alternative survey sources described above. While the market median was used as the guideline for total direct compensation, the Committee had the authority to establish Target TDC which was higher or lower, as it deemed appropriate for each named executive officer. Additional factors considered by the Committee were the executive officer s performance and the criticality of the executive officer s role and that the TDC of our named 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. In December 2009, the Committee applied the compensation criteria described above to set 2009 and 2010 Target TDC for the named executive officers.

FHFA reviewed the recommendations for both the Executive Compensation Program and the Target TDC for the named executive officers and, in consultation with management, the Board of Directors and Treasury over the course of several months, developed and refined the overall structure of our 2009 executive compensation program and the Target TDC for the named executive officers. The Committee then reviewed and approved the Executive Compensation Program and Target TDCs, subject to FHFA s approval. FHFA, in consultation with Treasury, then approved our new executive compensation structure and the Target TDC for our named executive officers in December 2009.

The table below sets forth the approved 2009 annualized Semi-Monthly Base Salary, Deferred Base Salary, Target Incentive Opportunity and Target TDC for Freddie Mac s named executive officers who are currently employed by Freddie Mac, as established by the Compensation Committee and approved by FHFA. These amounts represent targets for compensation, not the actual amount of compensation paid for 2009. Information about the amounts actually paid during or with respect to 2009 to these executives is set forth in the table under 2009 Target TDC (Non-Annualized/Pro-Rata) Compared to 2009 Actual TDC below and in the Summary Compensation Table on page 30.

		2009 Target TDC (Annualized)			
Named Executive Officer	**Title**	**Semi-Monthly Base Salary**	**Deferred Base Salary**	**Target Incentive Opportunity**	**Target TDC**
Charles E. Haldeman, Jr.	CEO	$ 900,000	$ 3,100,000	$ 2,000,000	$ 6,000,000

Ross J. Kari	CFO	675,000	1,658,333	1,166,667	3,500,000
Robert E. Bostrom	EVP General Counsel & Corporate Secretary	600,000	1,260,000	930,000	2,790,000
Peter J. Federico	SVP Investments & Capital Markets and Treasurer	400,000	1,340,000	870,000	2,610,000
Michael Perlman	EVP Operations & Technology	500,000	1,450,000	975,000	2,925,000

The Committee also approved Target TDC for each named executive officer for 2010. For the named executive officers, the only difference versus the 2009 TDC amounts is a reduction of Mr. Bostrom s Semi-Monthly Base Salary to $500,000 and a corresponding increase in his Deferred Base Salary. This adjustment was made to conform with the requirements of the Executive Compensation Program.

2009 Target TDC (Non-Annualized/Pro Rata) Compared to 2009 Actual TDC

For each of the named executive officers who are Covered Officers under the Executive Compensation Program, the table below shows 2009 Target TDC (non-annualized/pro rata) compared to the approved 2009 Actual TDC. For purposes of this chart, the amounts displayed in both the 2009 TDC Target (Non-Annualized/Pro Rata) and 2009 TDC Actual columns include only the appropriate amount associated with the first 2009 Incentive Opportunity payment. For Messrs. Haldeman and Kari, the 2009 Target TDC is pro-rated based on their hire dates. Mr. Federico s 2009 Target TDC is also pro-rated and reflects an increase that became effective on May 14, 2009 in recognition of his new role as Senior Vice President Investments & Capital Markets and Treasurer.

		2009 Deferred Base Salary		2009 Target Incentive Opportunity (Portion Paid in March 2010)		2009 TDC (excluding portion of Target Incentive Opportunity to be paid in March 2011)(1)	
Named Executive Officer	Semi-Monthly Base Salary Paid in 2009	Target	Actual Earned and Approved to be Paid in 2010	Target	Actual Approved and Paid	Target (Non-Annualized/ Pro Rata)	Actual
Mr. Haldeman	$ 356,250	$ 1,227,083	$ 1,227,083	$ 395,833	$ 395,833	$ 1,979,166	$ 1,979,166
Mr. Kari	151,010	370,999	370,999	130,502	130,502	652,511	652,511
Mr. Bostrom	600,000	1,260,000	1,260,000	465,000	348,750	2,325,000	2,208,750
Mr. Federico	381,629	1,294,685	1,294,685	419,078	523,438	2,095,392	2,199,752
Mr. Perlman	500,000	1,450,000	1,450,000	487,500	125,000	2,437,500	2,075,000

(1) The foregoing chart does not include the portion of each named executive officer s 2009 Target Incentive Opportunity that is to be paid in March 2011. For each named executive officer, the target amount for the March 2011 payment is the same as the target amount shown in the chart for the March 2010 payment. The amount that will actually be paid to each named executive officer in March 2011 will reflect the Compensation Committee s approved funding level based on an assessment of performance with respect to the relevant performance measures for this payment, as well as exercises of discretion by the Chief Executive Officer, the Compensation Committee, and the Board of Directors, considering such factors as they deem appropriate in the compensation assessment process, subject to approval by FHFA.

Determination of 2009 Performance Year Compensation for Named Executive Officers

While there are a maximum of six elements of 2009 performance year compensation, only three are variable and require the subsequent approval of the Compensation Committee. These three elements are:

1. The performance-based portion of the awards made in 2008 under the Retention Program;

2. The portion of the 2009 Target Incentive Opportunity that is determined by reference to the LTI funding level for 2009 applicable to employees at the level of Vice President and below; and

3. For members of Freddie Mac s Management Committee, the portion of the 2009 Target Incentive Opportunity that is subject to adjustment in the discretion of the Chief Executive Officer or the Board, as described above.

The remaining elements of 2009 performance year compensation were either fixed and paid or fixed and scheduled to be paid, based on the terms of either the Executive Compensation Program or the Retention Program. These remaining elements are:

4. The Semi-Monthly Base Salary;

5. The 2009 Deferred Base Salary; and

6. The non-performance based portions of the awards made in 2008 under the Retention Program.

The following describes the factors considered by the Compensation Committee and FHFA in approving the actual amount of compensation for 2009 for each of the named executive officers:

Determination of Performance-Based Portion of 2008 Retention Award for Named Executive Officers

In February 2010, the Committee determined that Messrs. Bostrom, Federico, and Perlman were entitled to receive the full performance-based portions of their 2008 retention awards, which represented 35% of the aggregate amount of the awards. In determining the amount to be paid for the final, performance-based, installment, the Compensation Committee reviewed and discussed information regarding such executive officer s level of achievement against his individual performance goal. The Compensation Committee determined that such executive officer achieved his individual performance goal and should otherwise receive a satisfactory performance rating, and therefore should receive his full performance-based portion of the retention award, subject to FHFA approval.

FHFA concurred with the Compensation Committee s recommendation and approved the payment to each of Messrs. Bostrom, Federico and Perlman of the full performance-based portion of the retention award. The payment was made on March 15, 2010.

Mr. Kellermann s performance-based portion and the unpaid service-based portions were paid out following his death in 2009 pursuant to the terms of the Retention Program. The other named executive officers were not employees at the time retention awards were granted and did not receive any payments under this program.

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The following chart summarizes the achievement of the performance-based portion of the retention awards for the named executive officers who received them.

Retention Program Performance-Based Awards

Named Executive Officer	Performance Goals	Demonstrated Success Measures	Dollar Amount Paid for Performance-Based Portion of Retention Award
Mr. Bostrom	Board of Directors Legal Support Provide legal advice and guidance in reconstituting Freddie Mac s Board of Directors and committees at the direction of FHFA.	Reconstituted the company s Board, including working with FHFA to establish authority delegated to the Board by FHFA; Created Board committee charters; Improved control processes for the preparation of reports and reviewed materials submitted to the Board of Directors and its committees; and Created new and revised existing Board-level policies on a variety of governance matters.	$315,000
Mr. Federico	Manage Investment Activities Within Established Limits No unapproved draws on the Lending Agreement. Interest rate risk and asset and liability management positions managed within limits established in the Asset and Liability Management Plan, with exceptions handled within predetermined guidelines.	Received confirmation from US Treasury personnel that Freddie Mac did not draw on the Lending Agreement that expired on December 31, 2009. Internal reports produced by the Enterprise Risk Management Division, which is responsible for monitoring the company s asset/liability positions, established that limit exceptions occurred infrequently and that when such exceptions did occur, they were handled in accordance with guidelines established by the Board of Directors.	$315,000
Mr. Perlman	Create Infrastructure to Govern and Execute Compliance with Sarbanes-Oxley Act in 2009 for Operations and Technology Division Detailed implementation plan	Created a detailed implementation plan, including an organizational structure; Implemented a divisional Sarbanes-Oxley reporting plan and a management self-assessment policy	$525,000

outlining resources, timing and reporting requirements.	and accompanying training materials; and
Governance structure detailing communications, quality control for re-performance testing, quality control for documentation, and roles and responsibilities.	Developed and implemented the plan for testing all key controls across the company during 2009 and performed status reporting to track tests of the operating effectiveness of these key controls.

During 2009, Messrs. Bostrom, Federico and Perlman were each paid the two remaining service-based installments of their 2008 retention awards. The initial service-based installment was paid in December 2008. Mr. Kellermann also received the initial service-based installment of $170,000 in December 2008. Pursuant to the terms of the award, the remaining payments of $680,000 became payable upon his death.

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The following chart summarizes the amount of these named executive officers retention awards by payment date and the total amount paid to each named executive officer.

	Service-Based		Performance-Based		
Named Executive Officer	December 2008 20%	August 2009 20%	December 2009 25%	March 2010 35%	Total
Mr. Bostrom	$ 180,000	$ 180,000	$ 225,000	$ 315,000	$ 900,000
Mr. Federico	180,000	180,000	225,000	315,000	900,000
Mr. Perlman	300,000	300,000	375,000	525,000	1,500,000

Determination of Actual 2009 Target Incentive Opportunity for Named Executive Officers

In determining the pool of funds available for distribution to Covered Officers for the 2009 Target Incentive Opportunity, the Compensation Committee reviewed and discussed information provided by senior management on the company s achievement level against the performance measures applicable to the first payment of the 2009 Target Incentive Opportunity, which were previously approved by FHFA to be used by the Compensation Committee as a basis to determine the amount of the Target Incentive Opportunity paid to Covered Officers in the Executive Compensation Program. In February 2010, the Committee reviewed and agreed with management s recommendation that the company had fully achieved all of the performance measures applicable to 2009 under the LTI grant made in 2009 to Vice Presidents and non-officers. Under the Executive Compensation Program, 50% of the 2009 Target Incentive Opportunity is determined based on consideration of 2009 corporate performance; the remaining 50% is determined based on consideration of 2010 corporate performance.

Specifically, with respect to 2009 performance, the Committee determined that the company had completed the necessary steps with respect to 100% of the MRAs (consisting of specific action items relating to internal control, accounting, and operational deficiencies and other safety and soundness concerns) that were scheduled to be remediated prior to January 1, 2010. Based on this assessment, the Committee determined that the pool of funds available for distribution to Covered Officers for the 2009 Target Incentive Opportunity should be funded based on the approximate market median of long-term incentive payments in Freddie Mac s Comparator Group and an alternative survey source from Towers Watson that strengthened the analysis.

In reviewing this determination, FHFA requested that the Committee consider additional factors and also consider reducing the funding level to 90% of the aggregate target amount. In response, the Committee took the following additional factors into consideration:

1. How the proposed LTI funding level compared to market-level long-term incentive payments in Freddie Mac s Comparator Group and an additional alternative survey from Towers Watson that strengthened the analysis;

2. The substantial credit losses and financial statement losses being experienced by Freddie Mac;

3. The fact that the company is operating in conservatorship and subject to substantial direction and unique oversight by a regulatory agency; and

4. External perspectives on the appropriateness of any incentive payment being provided by a company that is receiving extraordinary assistance from the federal government.

Based on this review, the Committee determined that the pool of funds should be reduced to 90% of the approximate market median, subject to FHFA approval.

Under the terms of the Executive Compensation Program, the amount of the Incentive Opportunity that is paid to Covered Officers who are members of Freddie Mac s Management Committee is subject to an assessment by the Chief Executive Officer of division and/or individual performance. This assessment can result in an increase or decrease to the amount payable to each Covered Officer of up to 25% of the Covered Officer s Target Incentive Opportunity.

However, in conjunction with the determination of the reduced funding level, the Chief Executive Officer determined that some additional flexibility was appropriate in allocating the approved funds among the

Covered Officers. Specifically, he determined that he should take into account factors in addition to division and individual performance in his assessment and distribute the available funds in a manner that would result in an increase or decrease in the amount payable to certain Covered Officers exceeding 25% of their Target Incentive Opportunity. After consultation with FHFA, he then presented to the Compensation Committee for its review and approval his proposal regarding how the aggregate approved funds for the first Incentive Opportunity Payment for 2009 should be distributed to Covered Officers. Mr. Haldeman considered several factors in allocating the available funds among the Covered Officers (including our named executive officers), including:

1. How individual Covered Officer s 2009 Target TDC compared relative to the 50th percentile of the total direct compensation paid to comparable positions at Comparator Group companies or companies included in the alternative surveys used by the Compensation Committee to set Target TDC;

2. Whether individual Covered Officers had assumed additional tasks or performed an expanded role beyond their normal responsibilities; and

3. How each officer s division performed in relation to the performance of other divisions at the company.

Based on these factors, the Chief Executive Officer exercised his discretion and recommended that the Compensation Committee vary the amount of Incentive Opportunity actually paid for certain Covered Officers, including Messrs. Federico, Bostrom and Perlman, as described below.

The Chief Executive Officer s assessment resulted in his recommendation that the amount of Mr. Federico s first Incentive Opportunity Payment should be increased to $523,438 from the target of $419,078, taking into account Mr. Federico s expanded role and his performance of significant special projects in addition to his normal responsibilities, as well as the fact that his 2009 TDC was below the 50th percentile of the total direct compensation paid to comparable positions at companies included in the alternative surveys.

The Chief Executive Officer considered the same factors for Messrs. Bostrom and Perlman. TDC for both officers was above the 50th percentile of the total direct compensation paid to comparable positions at Comparator Group companies and companies included in the alternative surveys. Given that fact, the limited pool of funds and the increased allocations to Mr. Federico and other Covered Officers, the CEO recommended that the amount of Mr. Bostrom s first Incentive Opportunity Payment should be reduced to $348,750 from the target of $465,000, and that the amount of Mr. Perlman s first Incentive Opportunity Payment paid should be reduced to $125,000 from the target of $487,500.

For Mr. Kari, the Chief Executive Officer considered each of the factors above, as well his short tenure with the company, and recommended that the amount of his Incentive Opportunity actually paid should be equal to his target, although this resulted in 2009 TDC that was less than the 50th percentile of the total direct compensation paid to comparable positions at Comparator Group companies and companies included in the alternative surveys.

The Committee reviewed and approved all of the Chief Executive Officer s recommendations. After consultation with the other non-management members of the Board and consideration of Mr. Haldeman s satisfaction of his performance objectives and his short tenure with the company, the Compensation Committee also approved compensation for Mr. Haldeman in accordance with his targets. Mr. Haldeman s performance objectives were based primarily on mission-related initiatives that support foreclosure prevention, affordable housing and other similar activities; continued progress in executing the company s plan for improving its business infrastructure; and continued improvement in accounting controls and other internal controls. His objectives also included, and he achieved notable success in, recruiting and hiring a new Chief Operating Officer and Chief Financial Officer within three months after his arrival and leading the senior management team in building a strong relationship with FHFA.

FHFA then approved the aggregate funding level as well as the recommended payment to each named executive officer.

The following chart summarizes the 2009 Target Incentive Opportunity for each of the named executive officers under the Executive Compensation Program and the amount of the Incentive Opportunity that was approved by the Compensation Committee and FHFA and actually paid.

Named Executive Officer	2009 Target Incentive Opportunity (Portion to be paid in March 2010)	Actual Amount Paid
Mr. Haldeman	$ 395,833	$ 395,833
Mr. Kari	130,502	130,502
Mr. Bostrom	465,000	348,750
Mr. Federico	419,078	523,438
Mr. Perlman	487,500	125,000

The 2009 Target Incentive Opportunity for Messrs. Haldeman and Kari reflects a pro-ration of their annual Target Incentive Opportunity based on their respective dates of hire in 2009.

Determination of Other Components of Compensation for Named Executive Officers

The 2009 Semi-Monthly Base Salary. The amount of each named executive officer s 2009 Semi-Monthly Base Salary was not changed from the amounts previously approved by the Committee and FHFA in December 2009.

The 2009 Deferred Base Salary. The amount of each named executive officer s 2009 Deferred Base Salary was previously approved by the Committee and FHFA. The following chart summarizes the actual amount of Deferred Base Salary that each named executive officer earned during each calendar quarter of 2009, which is scheduled to be paid in a fixed amount on the last business day of the corresponding quarter of 2010.

Named Executive Officer	Earned During Q1 2009	Earned During Q2 2009	Earned During Q3 2009	Earned During Q4 2009	Total 2009 Deferred Base Salary Earned and Scheduled to be Paid in 2010
Mr. Haldeman	$ 0	$ 0	$ 452,083	$ 775,000	$ 1,227,083
Mr. Kari	0	0	0	370,999	370,999
Mr. Bostrom	315,000	315,000	315,000	315,000	1,260,000
Mr. Federico	304,167	320,518	335,000	335,000	1,294,685
Mr. Perlman	362,500	362,500	362,500	362,500	1,450,000

In order to be paid the Deferred Base Salary that was earned during 2009, the Covered Officer must be employed by the company on the 2010 payment date (subject to certain exceptions for the Covered Officer s death, long-term disability or retirement). If a Covered Officer is involuntarily terminated, any unpaid Deferred Base Salary will be

forfeited unless the Committee recommends that the Covered Officer receive either all or a portion of the unpaid Deferred Base Salary and the Committee s recommendation is approved by FHFA after consulting with Treasury, as appropriate. Further, if a Covered Officer voluntarily terminates employment, any unpaid Deferred Base Salary will be forfeited.

The Service-Based Portions of the 2008 Retention Award. For the discussion of this element of compensation and the amounts paid to each named executive officer, refer to the discussion under Determination of Performance-Based Portion of the 2008 Retention Award for Named Executive Officers.

Impact on Freddie Mac s Supplemental Executive Retirement Plan

Our named executive officers (other than Mr. Koskinen) were eligible to participate in Freddie Mac s Supplemental Executive Retirement Plan, or SERP. In approving the Executive Compensation Program, FHFA also took actions that limit or eliminate certain compensation advantages previously available to some executive officers. FHFA directed Freddie Mac to amend the SERP effective January 1, 2010 to provide that the maximum covered compensation for purposes of the SERP, relative to a Covered Officer only, may not exceed two times the Covered Officer s Semi-Monthly Base Salary. It is the intent of Freddie Mac and FHFA that, upon the conclusion of conservatorship, the definition of compensation for purposes of accruals under the SERP will revert to the definition of compensation in place prior to the amendment to the SERP made

to conform its terms to the Executive Compensation Program. A copy of the amendment to the SERP is filed as Exhibit 10.3 to the Compensation Program Form 8-K.

Treatment of Amounts Upon Termination of Employment or Violation of Non-Competition Covenant

The treatment of Deferred Base Salary and Target Incentive Opportunity amounts upon the death, disability, retirement or termination of a Covered Officer is described in the Compensation Program Form 8-K and is described below with respect to named executive officers under Potential Payments Upon Termination of Employment or Change-in-Control. The treatment of Target Incentive Opportunity amounts if a current or former Covered Officer violates provisions of the non-competition agreement entered into with Freddie Mac is also discussed in the Compensation Program Form 8-K.

Recapture Policy

The Recapture Policy provides that certain compensation under the Executive Compensation Program will be subject to clawback if any of the following events occurs subsequent to the date that the named executive officer agreed to the terms of the Recapture Policy.

Payment Based on Materially Inaccurate Information Obtaining a bonus or incentive payment based on materially inaccurate financial statements or performance metrics.

Termination for Cause If the named executive officer s employment is terminated for cause, as defined in the Recapture Policy.

Subsequent Determination of Cause If within two years of the termination of the named executive officer s employment at Freddie Mac, the Board makes a determination in good faith that circumstances existed at the time of the named executive s termination that would have justified a termination for cause, as defined in the Recapture Policy, and that such actions of the named executive officer resulted in material business or reputational harm to Freddie Mac.

If any of these events occurs, the Board of Directors will determine whether more compensation was paid than would otherwise have been paid had Freddie Mac been aware of the event or events. If such a determination is made, the following elements of compensation will be subject to recapture: (1) Deferred Base Salary; (2) Target Incentive Opportunity; (3) any equity awards that vest after the adoption of the Executive Compensation Program; and (4) any severance benefits paid. Only compensation paid up to two years prior to the triggering event or the date of the executive s termination or compensation paid at the time of termination, as applicable, will be subject to recapture. Payments to named executive officers under the Retention Program are not subject to clawback.

The amount of compensation recaptured will be determined by the Board, subject to the guidelines described above. Additional details are included in the Recapture Policy, which was filed as Exhibit 10.4 to the Compensation Program Form 8-K.

Written Agreements Relating to Employment of CEO and CFO

Freddie Mac has entered into (i) a Memorandum Agreement, (ii) a Recapture Agreement and (iii) an Indemnification Agreement with each of Messrs. Haldeman and Kari in connection with their employment as executive officers of Freddie Mac. Copies of the Memorandum Agreement and the Recapture Agreement regarding Messrs. Haldeman and Kari were filed as Exhibits 10.1 and 10.2, respectively, to the Current Reports on Form 8-K filed by the company on July 21 and September 24, 2009 with respect to each executive s employment by the company. A copy of the form of

indemnification agreement on which each executive s Indemnification Agreement was based was filed as Exhibit 10.2 to the Form 8-K filed by the company on December 23, 2008. The provisions of these indemnification agreements are described above under Directors, Executive Officers and Corporate Governance Indemnification Agreements.

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The compensation provisions of each executive s Memorandum Agreement, in combination with provisions of the Executive Compensation Program, are summarized separately below.

Mr. Haldeman will receive the following compensation:

A Semi-Monthly Base Salary of $900,000 per year;

Deferred Base Salary in the amount of $3.1 million for each of 2009 and 2010, payable as described above (see Total Direct Compensation Base Salary Deferred Base Salary); and

A Target Incentive Opportunity in the amount of $2.0 million for each of 2009 and 2010, payable as described above (see Total Direct Compensation Target Incentive Opportunity).

Mr. Kari will receive the following compensation:

A Semi-Monthly Base Salary of no less than $675,000 per year;

Deferred Base Salary of $1,658,333 for each of 2009 and 2010, payable as described above (see Total Direct Compensation Base Salary Deferred Base Salary);

A Target Incentive Opportunity of $1,166,667 for each of 2009 and 2010, payable as described above (see Total Direct Compensation Target Incentive Opportunity. ; and

A cash sign-on award of $1,950,000 in recognition of the annual incentive opportunity and unvested equity that Mr. Kari forfeited by leaving his previous employer. This award will be paid in installments during Mr. Kari s first year of employment with Freddie Mac (50% in October 2009, 25% in April, 25% in October 2010). If Mr. Kari is not an employee of Freddie Mac on an installment payment date, the installment will be forfeited. A portion of each installment will be subject to repayment in the event that, prior to the first anniversary of an installment payment date, Mr. Kari terminates his employment with Freddie Mac for any reason or Freddie Mac terminates his employment for cause (as is defined in the Memorandum Agreement).

Under their Memorandum Agreements, Messrs. Haldeman and Kari will receive the following additional forms of compensation during their employment at Freddie Mac:

The opportunity to participate in all employee benefit plans offered to Freddie Mac s senior executive officers, including the company s SERP, pursuant to the terms of these plans. For a description of these plans see Compensation Tables below; and

If Freddie Mac terminates Mr. Haldeman s or Mr. Kari s employment for any reason other than cause (as defined in the Memorandum Agreement), he will be eligible to receive severance pay and other benefits pursuant to the terms of any then-applicable Freddie Mac severance plan or policy, subject to the approval of FHFA. For a description of Freddie Mac s current officer severance policy, see Potential Payments Upon Termination of Employment or Change-in-Control below.

Messrs. Haldeman and Kari are subject to non-competition and non-solicitation of employees restrictions for a period of two years and one year, respectively, following any termination of their employment, and they are also subject to certain restrictions with respect to confidential information obtained during the course of their employment.

Freddie Mac also has entered into a Recapture Agreement with each of the executives, previously filed (as noted above) as exhibits to the Current Report on Form 8-K regarding each executive s employment at Freddie Mac. The recapture requirements included in these agreements, and the similar recapture requirements applicable to all other Covered Officers under the Recapture Policy, are described above under Executive Management Compensation Program Recapture Policy.

Other Executive Compensation Considerations

Perquisites

The company provides limited perquisites to its named executive officers, as follows:

- Relocation assistance, which can include packing and transporting household goods, assistance in finding a new home and selling the current home, temporary lodging and travel, and a one-time payment to cover miscellaneous expenses;
- Reimbursement for counseling assistance in personal financial planning, tax planning and estate planning;
- Reimbursement for a comprehensive annual physical exam, up to a maximum annual benefit of $700; and
- Reimbursement for payment of spousal business travel and dining costs for business purposes.

None of the perquisites offered during 2009 to the currently employed named executive officers included a gross-up for taxes due on the perquisite itself. Beginning in 2010, total annual perquisites for any named executive officer cannot exceed $25,000 without FHFA approval.

Stock Ownership and Hedging Policies

In November 2008, FHFA approved the suspension of our stock ownership guidelines because of the difficulty of meeting the requirements at current market prices and because we had ceased paying our executives stock-based compensation. Also, the Purchase Agreement prohibits us from issuing any shares of Freddie Mac equity securities without the prior written consent of Treasury. The suspension of stock ownership requirements is expected to continue through the conservatorship and until Freddie Mac resumes granting stock-based compensation.

All employees, including our named executive officers, are prohibited from purchasing and selling derivative securities related to our equity securities, including warrants, puts and calls, or from dealing in any derivative securities other than pursuant to our stock-based benefit plans.

Role of Compensation Consultants

Through August 2009, the Compensation Committee retained and was assisted by Hewitt Associates in carrying out its responsibilities. Hewitt Associates role during the period from January 2009 through August 2009 was to assist the Compensation Committee s oversight of compensation and benefits. During this period, Hewitt Associates also provided consulting services to the company s management regarding various compensation and benefit matters.

Through August 2009, the Compensation Committee directly engaged Hewitt Associates and required management to disclose annually to the Compensation Committee the work performed by, and the fees paid to, Hewitt Associates, including any work Hewitt Associates performed for management. The Compensation Committee annually reviewed and pre-approved any services that Hewitt Associates provided to management so that the Compensation Committee could determine whether Hewitt Associates acceptance of engagements and remuneration from management could impair the firm s ability to provide independent advice regarding management compensation to the Compensation Committee. Fees for Hewitt Associates consulting advice to the Compensation Committee for January 2009 through August 2009 were $140,496, including travel expenses for attendance at committee meetings. Hewitt Associates did not provide any services to the Compensation Committee after August 2009. Fees for Hewitt Associates services to management for the period from January 2009, through August 2009, were $37,582, including travel expenses for

attendance at meetings.

In an effort to eliminate any perception that the advice received from its outside compensation consultant is not objective, in August 2009, the Compensation Committee concluded its relationship with Hewitt Associates and retained Steven Hall & Partners to exclusively advise the Compensation Committee. In its role as independent compensation consultant, Steven Hall & Partners provides information and guidance to the

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Compensation Committee on executive compensation matters. In addition, the Compensation Committee or the full Board can engage Steven Hall & Partners for special projects, as needed. The decision to engage Steven Hall & Partners was made solely by the Compensation Committee without any recommendation from management. Steven Hall & Partners has not provided the Compensation Committee with any non-executive compensation consulting services, nor has it provided any services to management. Fees for Steven Hall & Partners services to the Compensation Committee through December 2009 were $228,827, including travel expenses for attendance at meetings.

Management continued to engage Hewitt Associates as one of management s consultants on human resources, compensation and benefits matters from September 2009 through December 2009. Fees for Hewitt Associates services to management for the period from September 2009 through December 2009 were $153,694, including travel expenses for attendance at Compensation Committee meetings on behalf of management.

Section 162(m) Limits on the Tax Deductibility of Our Compensation Expenses

Section 162(m) of the Internal Revenue Code imposes a $1 million limit on the amount that a company may annually deduct for compensation to its CEO and certain other named executive officers, unless, among other things, the compensation is performance-based, as defined in section 162(m). Given the conservatorship and the desire to maintain flexibility to promote our corporate goals, awards of retention and deferred pay, and long-term incentive awards for 2009 performance are not structured to qualify as performance-based compensation under section 162(m).

COMPENSATION COMMITTEE INTERLOCKS AND INSIDER PARTICIPATION

None of the members of the Board of Directors who served on the Compensation Committee during fiscal year 2009 were officers or employees of Freddie Mac or had any relationship with Freddie Mac that would be required to be disclosed by Freddie Mac under Item 407(e)(4) of Regulation S-K.

COMPENSATION COMMITTEE REPORT

The Compensation Committee has reviewed and discussed the Compensation Discussion and Analysis with management and, based on such review and discussion, has recommended that the Compensation Discussion and Analysis be included in this Amendment No. 2 to our Annual Report on Form 10-K.

This report is respectfully submitted by the members of the Compensation Committee of the Board.

Eugene B. Shanks, Jr., *Chairman*
Linda B. Bammann
Christopher S. Lynch

COMPENSATION AND RISK

In the conduct of its oversight of executive and employee compensation matters, the Compensation Committee reviewed and discussed two separate reports to determine if Freddie Mac s compensation policies and practices create incentives for officers and employees to take on inappropriate business risks. One review was conducted for management by Hewitt Associates, management s compensation consultant. In addition, senior personnel in Freddie Mac s Enterprise Risk Management Division conducted a review. Based on these reviews and this process, Freddie Mac believes that its compensation policies and practices do not create risks that are reasonably likely to have a material adverse effect on the company.

COMPENSATION TABLES

The following tables set forth compensation information for all individuals who served as our Chief Executive Officer during 2009, all individuals who served as our Chief Financial Officer during 2009 and our three other most highly compensated executive officers who were serving as executive officers as of December 31, 2009 (collectively, our named executive officers).

Summary Compensation Table 2009

		Salary							
cipal Position	Year	Paid during Year[1]	Deferred[2]	Bonus[3]	Stock Awards[4]	Option Awards	Non-Equity Incentive Plan Compensation[5]	Change in Pension Value and Nonqualified Deferred Compensation Earnings[6]	All Other Compensatio
leman, Jr. Officer	2009	$ 356,250	$ 1,277,083	$	$	$	$ 395,833	$	$ 46,845
 President Officer	2009	151,010	370,999	487,500[8]			130,502		59,138
tt[8] ecutive Officer	2009	187,500							325,364
	2008	283,269							54,812
8) Chief Executive	2009	540,685							10,028
mann[8] hief Financial	2009	108,333		382,500			297,500	35	57,534
	2008	319,417		170,000	500,030			147,042	89,327
om President & Corporate	2009	600,000	1,260,000	405,000			663,750	144,534	124,103
	2008	600,000		180,000	1,650,030			105,907	106,694
o ident apital Markets	2009	381,629	1,294,685	405,000			838,438	85,525	121,522

n	2009	500,000	1,450,000	675,000		650,000	110,796	75,687
President	2008	500,000		300,000	1,650,030		167,431	81,678
chnology	2007	208,333		1,775,000	1,200,034			73,451

(1) The amounts shown for 2009 represent Semi-Monthly Base Salary under the Executive Compensation Program as described in Compensation Discussion and Analysis Executive Management Compensation Program. For information regarding Messrs. Koskinen, Kellermann and Moffett, see Note 8 below.

(2) The amounts shown represent Deferred Base Salary earned in 2009. Under the terms of the Executive Compensation Program and the Mandatory Executive Deferred Base Salary Plan, Deferred Base Salary earned during each calendar quarter in 2009 will be paid in cash on the last business day of the corresponding quarter in 2010, provided the named executive officer is employed by the company on such payment date or in the event such officer dies, retires or has a long-term disability in 2010.

The following table provides a comparison of 2009 total compensation as reported in the Summary Compensation Table with a recalculated amount that excludes the Deferred Base Salary earned, but not paid, during 2009, which is subject to forfeiture if the executive does not remain actively employed with the company during 2010.

Name	**As Reported**	**Deferred Base Salary Earned in 2009**	**As Adjusted Excluding Deferred Base Salary Earned in 2009**
Mr. Haldeman	$ 2,076,011	$ 1,277,083	$ 798,928
Mr. Kari	1,199,149	370,999	828,150
Mr. Moffett	512,864		512,864
Mr. Koskinen	550,713		550,713
Mr. Kellermann	845,902		845,902
Mr. Bostrom	3,197,387	1,260,000	1,937,387
Mr. Federico	3,126,799	1,294,685	1,832,114
Mr. Perlman	3,461,483	1,450,000	2,011,483

(3) The amounts shown in 2009 for Messrs. Bostrom, Federico and Perlman represent the second and third service-based installment payments under the Retention Program. For more information about the Retention Program, see CD&A Executive Management Compensation Program Determination of 2009 Performance Year Compensation for Named Executive Officers. Mr. Kellermann received the first of the service-based installments in 2008. Pursuant to the terms of the award agreement, the remaining payments, in the aggregate amount of $680,000 ($382,500 of which is reported in the Bonus column, and the remainder of which is reported in the Non-Equity Incentive Plan Compensation column), became payable upon his death. The amount shown for Mr. Kari represents that portion of the cash sign-on bonus paid in 2009 which he received in recognition of the forfeited annual incentive opportunity and unvested equity at his previous employer. See CD&A Written Agreements Relating to Employment of CEO and CFO.

(4) Amounts reported for stock awards are the aggregate grant date fair value of awards granted during the period indicated, computed in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 718 (Compensation Stock Compensation). See Note 12 to the consolidated financial statements included in the Form 10-K for a discussion of the assumptions used in determining grant date fair values. The amounts reported disregard estimates of forfeitures for awards with service-based vesting conditions but do reflect actual forfeitures. There can be no assurance that the ASC Topic 718 grant date fair value amounts will ever be realized by any named executive officer.

Grants of RSUs include the right to receive dividend equivalents. The value of these dividend equivalents is included in the calculation of the grant date fair value of the RSU awards. Stock options granted prior to January 1, 2006 also include dividend equivalent rights on each share underlying the option equal to the dividend per share declared and paid on our outstanding common stock.

Although dividends on common stock have been suspended during the conservatorship by order of the Conservator, payment of accrued dividend equivalents on stock options vested as of December 31, 2004 will occur as those options expire unexercised. Of the named executives, only Messrs. Federico and Kellermann received cash payments during 2009 (equal to $13,274 and $3,699, respectively) for dividend equivalents associated with options that expired unexercised.

(5) The amounts reported reflect the portion of the 2009 Target Incentive Opportunity that was earned for 2009 and paid on March 15, 2010. The remaining 50% of the 2009 Target Incentive Opportunity award, payable by March 15, 2011, is subject to the accomplishment of certain performance objectives. See CD&A Total Direct Compensation Target Incentive Opportunity. The amounts reported for Messrs. Bostrom, Federico and Perlman also include the final, performance-based portions of the September 2008 retention awards of $315,000, $315,000 and $525,000, respectively, paid on March 15, 2010. The amount reported for Mr. Kellermann reflects only the final, performance-based portion of the September 2008 retention award that was paid upon his death. The terms and performance goals applicable to the final, performance-based portion of these awards are discussed under CD&A Executive Management Compensation Program Determination of Performance-Based Portion of 2008 Retention Award for Named Executive Officers.

(6) Except for the deferred compensation amounts described in the last paragraph of this note, the amounts reported in this column reflect only the actuarial increase in the present value of each named executive officer s accrued benefits under our Pension Plan and the Pension SERP Benefit (as defined under Pension Benefits 2009) determined using the time periods and assumptions applied in our consolidated financial statements for the years ended December 31, 2007, 2008 and 2009, respectively. However, the amounts reported for Mr. Kellermann are measured using December 31, 2008 and April 22, 2009 (his date of death) and the applicable plan provisions for payments to beneficiaries. The Pension Plan generally provides for a survivor annuity in the amount of one-half of the annuity payment during the life of the participant. Mr. Kellermann s named beneficiary received a full payout of his Pension SERP Benefit in the amount of $300,548 following his death, and therefore, Mr. Kellermann had a negative aggregate change of $(318,111) in his accumulated benefit under the Pension Plan and the Pension SERP Benefit and nonqualified deferred compensation earnings (*i.e.*, above market earnings). Because the aggregate change in the actuarial present value of Mr. Kellermann s accumulated pension benefit was negative, it is reflected as zero for this period. Mr. Kellermann s named beneficiary has not yet elected to commence payments under the Pension Plan and may defer payments until a date no later than the year in which Mr. Kellermann would have attained age 701/2. Mr. Kellermann s named beneficiary is entitled to receive a single life annuity under the Pension Plan with a present value of $55,457 as of his date of death. Messrs. Haldeman, Moffett and Kari were not participants in the Pension Plan or the Pension SERP Benefit as of December 31, 2009 because they had not attained one year of service (in the case of Mr. Moffett, he resigned prior to attaining one year of service) as required for participation under the Pension Plan and the Pension SERP Benefit. Mr. Koskinen

was not an employee and therefore was not eligible for participation under the Pension Plan and the Pension SERP Benefit.

With the exception of Messrs. Kellermann and Federico, the values reported include amounts that the named executive officers are not currently entitled to receive because such amounts are not yet vested. The amounts reported do not include values associated with retiree medical benefits, which are generally available on the same terms to all employees.

Deferred Base Salary under the Mandatory Executive Deferred Base Salary Plan is not considered compensation eligible for deferral in accordance with the Executive Deferred Compensation Plan, or EDCP. The Mandatory Executive Deferred Base Salary Plan does not provide for interest on Deferred Base Salary.

The amounts reported in this column for Messrs. Federico and Kellermann include above-market earnings on their respective accumulated balances in the EDCP as of December 31, 2009 for Mr. Federico and as of April 22, 2009 for Mr, Kellermann (the date of his death). The amounts of the above-market earnings for these individuals are as follows: Mr. Federico: $126; and Mr. Kellermann: $35. Deferrals under the EDCP are credited with interest compounded daily at the rate of 1% per annum in excess of the prime rate as reported by the *Wall Street Journal* on the first business day of each calendar year during the deferral period. In 2009, interest was credited at a rate of 4.25% based on the prime rate on January 2, 2009 of 3.25% plus 1%. Nonqualified deferred compensation earnings included for Messrs. Federico and Kellermann consist of the above-market portion of interest paid in 2009, which was 0.04%, equal to the 4.25% credited minus 120% of the applicable federal long-term rate, or 4.21%.

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(7) Amounts reflect (i) basic and matching contributions we made to our tax-qualified Thrift/401(k) Savings Plan; (ii) accruals we made pursuant to the Thrift/401(k) SERP Benefit; (iii) FlexDollars (described below); (iv) perquisites and other personal benefits received; and (v) gross-ups for the payment of taxes associated with perquisites and other personal benefits. These amounts for 2009 are as follows:

	Thrift/401(k) Savings Plan Contributions	Thrift/401(k) SERP Accruals	Flex Dollars	Perquisites	Tax Gross-Ups	Other
Mr. Haldeman	$	$	$ 290	$ 46,555	$	$
Mr. Kari			302	58,836		
Mr. Moffett			3,914	194,628	126,822	
Mr. Koskinen						10,028
Mr. Kellermann	13,660	39,177	4,697			
Mr. Bostrom	17,435	92,500	14,168			
Mr. Federico	21,860	77,880	21,782			
Mr. Perlman	14,431	48,508	12,748			

Employer contributions to the Thrift/401(k) Savings Plan are available on the same terms to all of our employees. We match up to the first 6% of eligible compensation at 100% of the employee s contributions, with the percentage matched dependent upon the employee s length of service. Employee contributions and our matching contributions are invested in accordance with the employee s investment elections and are immediately vested. In addition, Freddie Mac makes an additional contribution to our Thrift/401(k) savings plan, referred to as the basic contribution, that is allocated on behalf of each eligible employee, based on a stated percentage of each employee s eligible compensation. The basic contribution is made by the company after the end of the calendar year to which it relates. The formula for the contribution is 2% of pay up to the Social Security wage base, which was $106,800 for 2009, and 4% of pay above the Social Security wage base. Basic contributions were approved and posted to employees accounts in 2008 and 2009. Basic contributions received on or after January 1, 2008 are subject to a graded vesting schedule under which they become vested at the rate of 20% per year after each of the first through the fourth years of service and become fully vested after five years of service.

For additional information regarding the Thrift/401(k) SERP Benefit, see Non-qualified Deferred Compensation below. Amounts for the Thrift/401(k) Savings Plan Contributions and Thrift/401(k) SERP Accruals are presented without regard to vesting status.

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

Perquisites include relocation services, financial planning services and annual physical examinations. Perquisites are valued at their aggregate incremental cost to Freddie Mac. During the years reported, the aggregate value of perquisites received by all named executive officers other than Messrs. Haldeman, Kari and Moffett was less than $10,000. In accordance with SEC rules, amounts shown under All Other Compensation do not include perquisites or personal benefits for a named executive officer that, in the aggregate, amount to less than $10,000.

The amounts shown in the Perquisites column for Messrs. Haldeman and Kari consist entirely of relocation expenses paid as part of the relocation benefit we agreed to provide when we hired them.

The amount shown in the Perquisites column for Mr. Moffett consists of (a) relocation expenses of $180,662 paid to Mr. Moffett as part of the relocation benefit we agreed to provide to him in connection with his hire; (b) financial planning services; and (c) personal use of car and driver for commuting in the Washington, D.C. metro area.

We calculated the incremental cost to us of providing each of Mr. Haldeman s, Mr. Kari s and Mr. Moffett s relocation expenses based on actual cost; that is, the total amount of expenses incurred by us in providing the benefit.

Since the time Mr. Moffett received the tax gross-up shown above, FHFA has determined that no executive officers will be provided with tax gross-ups.

The amounts shown in the Other column for Mr. Koskinen consist of a match by the Freddie Mac Foundation of charitable contributions made by non-employee directors and the attributed value of Business Travel Accident Insurance provided to non-employee directors. See notes 6 and 7 to the 2009 Director Compensation Table for more information.

No amounts were paid or accrued during 2009 to any named executive officer pursuant to any termination or severance.

(8) Mr. Moffett was appointed Chief Executive Officer on September 7, 2008 and resigned his position effective March 13, 2009. Mr. Kellermann became Acting Chief Financial Officer on September 24, 2008 and continued in that position until his death on April 22, 2009. Prior to that, he was Senior Vice President Corporate Controller and Principal Accounting Officer from March 16, 2008 to September 24, 2008. Mr. Koskinen is the Non-Executive Chairman of Freddie Mac s Board of Directors and served as Interim Chief Executive Officer following Mr. Moffett s resignation until Mr. Haldeman assumed the duties of Chief Executive Officer on August 10, 2009. In addition, Mr. Koskinen performed the function of principal financial officer on an interim basis following Mr. Kellermann s death until Mr. Haldeman assumed his duties as Chief Executive Officer. Although Mr. Koskinen served in these positions and qualifies as a named executive officer, he served in those capacities as a non-employee.

The amounts reported for Mr. Koskinen represent his fees earned or paid in cash for services as the Non-Executive Chairman ($290,000); compensation paid for service from March 2009 through August 2009 as Interim Chief Executive Officer ($250,685); a charitable match of up to $10,000 ($10,000; see Note 6 to the 2009 Director Compensation Table); and the cost of Business Travel Accident Insurance ($28; see Note 7 to the 2009 Director Compensation Table).

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Grants of Plan-Based Awards 2009

The following table contains information concerning grants of plan-based awards to each of the named executive officers during 2009. The company is prohibited from issuing equity securities, without Treasury s consent, under the terms of the Purchase Agreement. Accordingly, no stock awards were granted during 2009.

Name	Grant Date[1]	Estimated Future Payouts Under Non-Equity Incentive Plan Awards[2]		
		Threshold	Target	Maximum
Mr. Haldeman	12/22/2009	$	$ 791,667	$ 950,000
Mr. Kari	12/22/2009		261,004	313,205
Mr. Moffett				
Mr. Koskinen				
Mr. Kellermann				
Mr. Bostrom	12/22/2009		930,000	1,116,000
Mr. Federico	12/22/2009		838,157	1,005,788
Mr. Perlman	12/22/2009		975,000	1,170,000

(1) The grant date is the date of FHFA s approval of the Executive Compensation Program. The Compensation Committee approved the program, contingent on FHFA s approval, on December 16, 2009.

(2) The amounts reported reflect the Target Incentive Opportunity granted in 2009. The amount actually earned can range from 0% of target (reported in the Threshold column) up to a maximum of 120% of target (reported in the Maximum column). Additionally, if the named executive officer is a member of the company s Management Committee on the date that the Board s Compensation Committee approves the funding level, the amount that is paid is also subject to an assessment of division and/or individual performance as determined by the CEO that can result in an increase or decrease to the amount payable of up to 25%. For the CEO, the Board of Directors performs the assessment. Actual amounts earned under the 2009 Target Incentive Opportunity are reported in the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table. For a description of the 2009 Target Incentive Opportunity and the performance and other measures used to determine payouts, see CD&A Executive Management Compensation Program Performance Measures for 2009 Target Incentive Opportunity and Determination of Actual 2009 Target Incentive Opportunity for Named Executive Officers.

Outstanding Equity Awards at Fiscal Year-End 2009

The following table shows outstanding equity awards held by the named executive officers as of December 31, 2009.

			Option Awards[3]				Stock Awards[3]	
Name	Award Type[1]	Grant Date	Number of Securities Underlying Unexercised Options Exercisable (#)	Number of Securities Underlying Unexercised Options Unexercisable (#)	Option Exercise Price ($)[2]	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)[4]
Mr. Haldeman					$			$
Mr. Kari								
Mr. Moffett								
Mr. Koskinen								
Mr. Kellermann	SO	03/03/00	1,060	0	41.38	03/02/10		
	SO	09/08/00	630	0	44.78	09/07/10		
	SO	03/02/01	950	0	67.85	03/01/11		
	SO	03/01/02	1,490	0	64.35	02/29/12		
	SO	03/13/03	1,210	0	52.65	04/22/12		
	SO	04/01/04	2,610	0	59.51	04/22/12		
	SO	04/11/05	2,680	0	62.79	04/22/12		
Mr. Bostrom	RSU	03/03/06					3,000	4,410
	SO	06/05/06	8,962	2,988	60.45	06/04/16		
	RSU	06/05/06					2,748	4,040
	RSU	03/29/07					7,523	11,059
	RSU	03/07/08					48,602	71,445
Mr. Federico	SO	03/03/00	2,170	0	41.38	03/02/10		
	SO	03/02/01	1,870	0	67.85	03/01/11		
	SO	03/01/02	2,870	0	64.35	02/29/12		
	SO	03/13/03	4,000	0	52.65	03/12/13		
	SO	04/01/04	3,590	0	59.51	03/31/14		
	SO	06/04/04	2,330	0	58.92	06/03/14		
	SO	04/11/05	4,730	0	62.79	04/10/15		
	RSU	03/03/06					2,903	4,267
	RSU	03/29/07					9,145	13,443
	RSU	03/07/08					46,759	68,736
Mr. Perlman	RSU	09/06/07					6,735	9,900
	RSU	03/07/08					47,508	69,837

(1) The rows labeled SO indicate stock options and the rows labeled RSU indicate restricted stock units.
(2) Consistent with the terms of our 2004 Employee Plan, as amended, the option exercise price was set at a price equal to the fair market value of our common stock on the grant date.
(3)

Except as otherwise indicated, all option and stock awards listed in this table vest in four equal annual installments beginning on the first anniversary of the grant date. Amounts reported in this table for RSUs represent only the unvested portion of awards. Amounts reported in this table for options represent only the unexercised portion of awards.

Pursuant to his grant agreements, Mr. Kellermann s stock options vested upon his death on April 22, 2009 and remain exercisable for 36 months, unless they expire earlier pursuant to their terms. All of Mr. Kellermann s unvested RSUs vested upon his death and became nonforfeitable immediately.

(4) Market value is calculated by multiplying the number of RSUs held by each named executive officer on December 31, 2009 by the closing price of our common stock on December 31, 2009 ($1.47), the last day of trading for the year.

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For information on alternative settlement provisions of RSU and stock option grants in the event of certain terminations, see Potential Payments Upon Termination of Employment or Change-in-Control below.

Option Exercises and Stock Vested 2009

The following table sets forth information concerning value realized upon the vesting of RSUs during 2009 by each of the named executive officers. No named executive officer exercised options in 2009.

Name	Stock Awards Number of Shares Acquired on Vesting (#)[1]	Value Realized on Vesting ($)[2]
Mr. Haldeman	0	$ 0
Mr. Kari	0	0
Mr. Moffett	0	0
Mr. Koskinen	0	0
Mr. Kellermann	32,105	21,838
Mr. Bostrom	27,066	12,588
Mr. Federico	24,383	11,107
Mr. Perlman	22,841	18,325

(1) Amounts reported reflect the number of RSUs that vested during 2009 prior to our withholding of shares to satisfy applicable taxes.
(2) Amounts reported are calculated by multiplying the number of pre-tax RSUs that vested during 2009 by the fair market value of our common stock on the date of vesting.

Pension Benefits 2009

The following table shows the actuarial present value of the accumulated retirement benefits payable under the Freddie Mac Employees Pension Plan, or Pension Plan, and the component of the SERP that relates to the Pension Plan, or Pension SERP Benefit, for each of the named executive officers, computed as of December 31, 2009. A summary of the material terms of each plan follows the table, including information on early retirement.

Name	Plan Name	Number of Years Credited Service (#)[1]	Present Value of Accumulated Benefit ($)[2]	Payments During Last Fiscal Year ($)
Mr. Haldeman	Pension Plan	0	$ 0	$ 0
	Pension SERP Benefit	0	0	0
Mr. Kari	Pension Plan	0	0	0
	Pension SERP Benefit	0	0	0
Mr. Moffett	Pension Plan	0	0	0
	Pension SERP Benefit	0	0	0
Mr. Koskinen[3]	Pension Plan	0	0	0
	Pension SERP Benefit	0	0	0

Mr. Kellermann[(4)]	Pension Plan	16.6	55,457	0
	Pension SERP Benefit	16.6	0	300,548
Mr. Bostrom	Pension Plan	4	63,185	0
	Pension SERP Benefit	4	324,539	0
Mr. Federico	Pension Plan	21.3	156,337	0
	Pension SERP Benefit	21.3	659,989	0
Mr. Perlman	Pension Plan	2.4	42,414	0
	Pension SERP Benefit	2.4	235,813	0

(1) Amounts reported represent the credited years of service for each named executive officer as of December 31, 2009, under the Pension Plan and the Pension SERP Benefit, respectively, with the exception of Mr. Kellermann. Amounts reported for Mr. Kellermann are as of the date of death.

(2) Amounts reported reflect the present value, expressed as a lump sum as of December 31, 2009, of each named executive officer s benefits under the Pension Plan and the Pension SERP Benefit, respectively. Amounts reported are calculated using the assumptions applied in Note 16 to the consolidated financial statements included in our Form 10-K, and the normal retirement age of 65 specified in the Pension Plan. For Messrs. Bostrom and Perlman, the amounts shown include amounts, if any, in which the named executive officers are not yet vested. Pension Plan and Pension SERP Benefits do not vest until the participant attains five years of vesting service, at which time he or she vests fully. Mr. Moffett terminated his employment before earning benefits, so the value of his accumulated benefits as of December 31, 2009 was $0.

(3) Because Mr. Koskinen was never an employee, he was not eligible to participate in the Pension Plan or the Pension SERP Benefit.

(4) Mr. Kellermann s named beneficiary is entitled to receive a single life annuity under the Pension Plan and may defer payment until a date no later than the year in which Mr. Kellermann would have attained age 701/2. The amount reflected represents the lump sum present value of this annuity as of his date of death April 22, 2009. In addition, in May 2009, Mr. Kellermann s named beneficiary received a gross lump sum distribution of his accrued Pension SERP Benefit as of the date of his death in the amount of $300,548.

Pension Plan

The Pension Plan is a tax-qualified, defined benefit pension plan that we maintain, covering substantially all employees who have attained age 21 and completed one year of service with us. Pension Plan benefits are based on an employee s years of service and compensation, up to limits imposed by law. Specifically, the normal retirement benefit under the Pension Plan for service after December 31, 1988 is a monthly payment commencing at age 65 calculated as follows:

> 1% of the participant s highest average monthly compensation for the 36-consecutive month period during which the participant s compensation was the highest,
>
> multiplied by the participant s full and partial years of credited service under the Pension Plan.

For purposes of the Pension Plan, compensation includes the non-deferred base salary paid to each employee (which includes Semi-Monthly Base Salary under our Executive Compensation Program), as well as overtime pay, shift differentials, non-deferred bonuses paid under our corporate-wide annual bonus program or pursuant to a functional incentive plan (excluding the value of any stock options or cash equivalents), commissions, and salary reductions under the Thrift/401(k) Savings Plan and the Flexible Benefits Plan, and qualified transportation benefits under Internal Revenue Code Section 132(f)(4). Compensation does not include, among other things, supplemental compensation plans providing temporary pay, deferrals under the Mandatory Executive Deferred Base Salary Plan or amounts paid after termination of employment other than amounts included in a final paycheck.

Notwithstanding the lump sum nature of the disclosure in the preceding table, lump sum payments are not permitted under the Pension Plan if the present value of the accrued benefit would equal or exceed $25,000. The normal form of benefit under the Pension Plan is an annuity providing monthly payments for the life of the participant (and a survivor annuity for the participant s spouse if applicable). Optional forms of benefit payment are available. A benefit with an actuarial present value equal to or less than $5,000 may only be paid as a lump sum.

Participants under the Pension Plan who terminate employment before age 55 with at least five years of service are considered terminated vested participants. Such participants may commence their benefit under the Pension Plan as early as age 55. The benefit is equal to the vested portion of the participant s accrued benefit, reduced by 1/180th for each of the first 60 months, and by 1/360th for each of the next 60 months, by which the commencement of such benefits precedes age 65.

An early retirement benefit is available to a participant who terminates employment on or after age 55 with at least five years of service. This early retirement benefit is reduced by three percent (3%) for each year (prorated monthly for partial years) by which the commencement of such benefits precedes the earlier of (i) the participant s attainment of age 65 or (ii) the participant s attainment of age 62 or later with at least 15 years of service. Death benefits are available provided the participant completed at least five years of service prior to death.

Supplemental Executive Retirement Plan Pension SERP Benefit

The Pension SERP Benefit component of the SERP is designed to provide participants with the full amount of benefits to which they would have been entitled under the Pension Plan if that plan (1) was not subject to certain limits on compensation that can be taken into account under the Internal Revenue Code and (2) did not exclude from compensation amounts deferred under our Executive Deferred Compensation Plan and Mandatory Executive Deferred Base Salary Plan. For example, the Pension Plan is only permitted under the Internal Revenue Code to consider the first $245,000 of an employee s compensation during 2009 for the purpose of determining the participant s

compensation-based normal retirement benefit. We believe the Pension SERP Benefit is an appropriate benefit because offering such a benefit helps us remain competitive with companies in the Comparator Group.

The Pension SERP Benefit is calculated as the participant s accrued annual benefit payable at age 65 (or current age, if greater) under the Pension Plan without application of the limits described in the preceding paragraph, less the participant s actual accrued benefit under the Pension Plan. The Pension SERP Benefit is

vested for each participant to the same extent that the participant is vested in the corresponding benefit under the Pension Plan.

To be eligible for the Pension SERP Benefit for any year, the named executive officer must be eligible to participate in the Pension Plan and eligible for matching contributions and basic contributions under the Thrift/401(k) Savings Plan for part of that year.

Pension SERP Benefits that vest on or after January 1, 2005 are generally distributed in a lump sum after separation from service and are payable 90 days after the end of the calendar year in which separation occurs. Subject to plan limitations and restrictions under Internal Revenue Code Section 409A, employees may elect that this portion of the Pension SERP Benefit be paid upon separation in the form of a single life annuity at age 65 or in reasonably equal annual installments over five, 10 or 15 years (including interest). Under IRS rules, distributions to so-called key employees (as defined by the IRS in regulations concerning Internal Revenue Code Section 409A) on account of separation from service may not commence earlier than six months from the key employee s separation from service. Payments under the SERP will be delayed if necessary to meet this requirement. In the case of death, the Pension SERP Benefit is distributed as a lump sum within 90 days of such event.

Pension SERP Benefits that vested prior to January 1, 2005 are generally distributed after separation from service (other than retirement) in the form of a single life annuity commencing at age 65. In the case of retirement, the vested pre-2005 Pension SERP Benefit is combined with the vested pre-2005 Thrift/401(k) SERP Benefit and is paid out in the form of a single life annuity payable at age 65 (or in a series of reasonably equal installments over 15 years commencing with retirement if actuarial estimates indicate that payment form would yield a longer period of payment). In the case of death, the vested pre-2005 Pension SERP Benefit is paid in the form of a lump sum within 90 days of such event.

Non-qualified Deferred Compensation

Executive Deferred Compensation Plan

The Executive Deferred Compensation Plan, or EDCP, allows the named executive officers to defer receipt of a portion of their annual salary and cash bonus (and to defer settlement of RSUs granted between 2002 and 2007). The EDCP is a non-qualified plan and is unfunded (benefits are paid from the company s general assets). Pursuant to the amended and restated plan, deferrals may be made for a period of whole years as elected by the employee, but in no event past termination of employment. Deferred amounts are credited with interest, which is currently the prime rate as reported by the *Wall Street Journal* as of the first business day of the applicable calendar year, plus 1%. When employees make deferral elections for a particular year, they also specify the form in which the deferral will be distributed after the expiration of the election. The available selections are lump sum or reasonably equal installments over five, ten or fifteen years. A six-month delay in commencement of distributions on account of separation from service applies to key employees, in accordance with Internal Revenue Code Section 409A. Hardship withdrawals are permitted in certain limited circumstances.

On October 8, 2008, we amended the EDCP to permit participants to make a one-time election by October 31, 2008 to change the timing and form of the distribution of their existing non-equity balances in the EDCP. Messrs. Kellermann and Federico elected new in-service distributions scheduled to be paid in three installments in March 2009, December 2009 and May 2010. Mr. Kellermann s account balance was distributed as a lump sum to his named beneficiary following his death. None of the other named executive officers made such deferral elections under the EDCP.

Supplemental Executive Retirement Plan Thrift/401(k) SERP Benefit

The Thrift/401(k) SERP Benefit component of the SERP is an unfunded, nonqualified defined contribution plan designed to provide participants with the full amount of benefits that they would have been entitled to under the Thrift/401(k) Savings Plan if that plan (1) was not subject to certain limits on compensation that can be taken into account under the Internal Revenue Code and (2) did not exclude from compensation amounts deferred under our EDCP and Mandatory Executive Deferred Base Salary Plan. For

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example, in 2009 under the Internal Revenue Code, only the first $245,000 of an employee s compensation is considered when determining the company s percentage-based matching contribution and the basic contribution for any participant in the Thrift/401(k) Savings Plan. We believe the Thrift/401(k) SERP Benefit is an appropriate benefit because offering such a benefit helps us remain competitive with companies in the Comparator Group.

The Thrift/401(k) SERP Benefit equals the amount of the employer matching contributions and basic contribution for each named executive officer that would have been made to the Thrift/401(k) Savings Plan during the year, based upon the participant s eligible compensation, without application of the above limits, less the amount of the matching contributions and basic contribution actually made to the Thrift/401(k) Savings Plan during the year. Participants are credited with earnings or losses in their Thrift/401(k) SERP Benefit accounts based upon each participant s individual direction of the investment of such notional amounts among the virtual investment funds available under the SERP. Such investment options are based upon and mirror the performance of the investment options available under the Thrift/401(k) Savings Plan. As of December 31, 2009, there were 21 investment options in which participants notional amounts could be invested.

To be eligible for the Thrift/401(k) SERP Benefit, the named executive officer must be eligible for matching contributions and basic contributions under the Thrift/401(k) Savings Plan for part of the year. In addition, to be eligible for the portion of the Thrift/401(k) SERP Benefit attributable to employer matching contributions, the named executive officer must contribute the maximum amount permitted under the terms of the Thrift/401(k) Savings Plan on a pre-tax basis throughout the entire portion of the year in which the named executive officer is eligible to make such contributions. That portion of the Thrift/401(k) SERP Benefit is vested when accrued, while the accrual relating to the basic contribution paid prior to 2008 is subject to five-year cliff vesting, and the accrual relating to the basic contribution paid in 2008 and later years is subject to five-year graded vesting of 20 percent per year. The Thrift/401(k) SERP Benefits that vest on or after January 1, 2005 are generally distributed in a lump sum payable 90 days after the end of the calendar year in which separation from service occurs. A six-month delay in commencement of distributions on account of separation from service applies to key employees, in accordance with Internal Revenue Code Section 409A. If the named executive officer dies, the Thrift/401(k) SERP Benefit is paid in the form of a lump sum within 90 days of death.

Thrift/401(k) SERP Benefits that vested prior to January 1, 2005 are generally distributed after separation from service (other than retirement) in the form of three reasonably equal annual installments, starting in the first quarter of the calendar year following the year in which the separation from service occurs. In the case of retirement, the vested pre-2005 Thrift/401(k) SERP Benefit is combined with the vested pre-2005 Pension SERP Benefit and is payable in the form of a single life annuity at age 65 (or in a series of reasonably equal installments over 15 years commencing with retirement if actuarial estimates indicate that this payment form would yield a longer period of payment). In the case of death, the vested pre-2005 Thrift/401(k) SERP Benefit is paid in the form of a lump sum within 90 days of such event.

The following table shows the contributions, earnings, withdrawals and distributions, and accumulated balances under the Thrift/401(k) SERP Benefit for each named executive officer and the EDCP for Messrs. Kellermann and Federico (the only participating named executive officers) as of December 31, 2009. The amounts reflected as contributions and earnings for Mr. Kellermann are through the date of his death (April 22, 2009). All withdrawals and distributions made were paid after his death to his named beneficiary.

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Name	Executive Contributions in Last FY ($)[1]	Freddie Mac Accruals in Last FY ($)[2]	Aggregate Earnings in Last FY ($)[3]	Aggregate Withdrawals/ Distributions ($)[4]	Aggregate Balance at Last FYE ($)[5]
Mr. Haldeman					
Thrift/401(k) SERP Benefit	$ 0	$ 0	$ 0	$ 0	$ 0
EDCP	0	0	0	0	0
Mr. Kari					
Thrift/401(k) SERP Benefit	0	0	0	0	0
EDCP	0	0	0	0	0
Mr. Koskinen[6]					
Thrift/401(k) SERP Benefit	0	0	0	0	0
EDCP	0	0	0	0	0
Mr. Moffett					
Thrift/401(k) SERP Benefit	0	0	0	0	0
EDCP	0	0	0	0	0
Mr. Kellermann					
Thrift/401(k) SERP Benefit	0	39,177	662	225,797	0
EDCP	0	0	1,580	124,567	0
Mr. Bostrom					
Thrift/401(k) SERP Benefit	0	92,500	1,006	0	211,297
EDCP	0	0	0	0	0
Mr. Federico					
Thrift/401(k) SERP Benefit	0	77,880	6,194	0	348,545
EDCP	0	0	8,621	176,273	112,982
Mr. Perlman					
Thrift/401(k) SERP Benefit	0	48,508	158	0	54,947
EDCP	0	0	0	0	0

(1) The SERP does not allow for employee contributions.

(2) Amounts reported reflect company accruals under the Thrift/401(k) SERP Benefit during 2009. These amounts are also reported in the All Other Compensation column in the 2009 Summary Compensation Table.

(3) Amounts reported represent the total interest and other earnings credited to each named executive officer under the Thrift/401(k) SERP Benefit and the EDCP during 2009. The credited interest rate for deferrals under the EDCP for 2009 was 4.25%. Above-market earnings are reflected in the column Change in Pension Value and Nonqualified Deferred Compensation Earnings in the 2009 Summary Compensation Table for Messrs. Federico and Kellermann since each was a participant in the EDCP. The above-market earnings for these individuals are as follows: Mr. Federico: $126; and Mr. Kellermann: $35.

(4) Mr. Federico received distributions in March 2009 and December 2009 under the new in-service distribution schedule discussed in the Non-qualified Deferred Compensation Executive Deferred Compensation Plan section. Mr. Kellermann received a distribution in March 2009 under the new in-service distribution schedule and his named beneficiary received the remaining account balance following his death.

(5) Amounts reported reflect the accumulated balances under the Thrift/401(k) SERP Benefit for each named executive officer, including non-vested accruals and, for Messrs. Federico and Kellermann, accumulated balances under the EDCP. Under the Thrift/401(k) SERP Benefit, matching contribution accruals vest immediately, whereas the basic contribution accruals relating to the basic contribution paid prior to 2008 are subject to cliff

vesting of 100 percent at the end of five years and the accrual relating to the basic contribution paid in 2008 and later years is subject to five-year graded vesting of 20 percent per year. Because none of the named executive officers has met the five-year vesting requirement for the basic contribution, with the exception of Messrs. Kellermann and Federico, the difference in the aggregate balance above and the vested balance is equal to the non-vested basic contributions plus earnings. The vested and non-vested components under the Thrift/401(k) SERP Benefit for each named executive officer are as follows: (i) Mr. Haldeman: vested balance: $0; non-vested balance: $0; (ii) Mr. Kari: vested balance: $0; non-vested balance: $0; (iii) Mr. Moffett: vested balance: $0; non-vested balance: $0; (iv) Mr. Kellermann: vested balance: $0; non-vested balance $0; (v) Mr. Koskinen: vested balance: $0; non-vested balance: $0; (vi) Mr. Bostrom: vested balance: $191,615; non-vested balance $19,682; (vii) Mr. Federico: vested balance: $348,545; non-vested balance $0; (viii) Mr. Perlman: vested balance: $48,244; non-vested balance: $6,703. Mr. Kellermann s named beneficiary received the vested account balance in the amount of $225,797 following his death. If employment is terminated (other than through disability), all unvested amounts are forfeited upon such termination. For a more detailed discussion of the matching contribution accruals and basic contribution accruals, see Supplemental Executive Retirement Plan Thrift/401(k) SERP Benefit above.

The following 2008 Thrift/401(k) SERP Benefit accrual amounts were reported in the column All Other Compensation in the 2008 Summary Compensation Table as compensation for each named executive officer for whom such accruals were made and reported during 2008, as follows: (i) Mr. Kellermann: $55,748; and (ii) Mr. Bostrom: $78,600. In addition, Mr. Perlman had a Thrift/401(k) SERP Benefit accrual amount of $6,250 for 2008, although this was not reported in the Summary Compensation Table because he was not a named executive officer for 2008. No Thrift/401(k) SERP Benefit accrual amounts were reported for any of the named executive officers in the column All Other Compensation in the 2007 Summary Compensation Table.

(6) Mr. Koskinen has never been an employee and therefore was not eligible to participate in the Thrift/401(k) SERP Benefit or the EDCP.

POTENTIAL PAYMENTS UPON TERMINATION OF EMPLOYMENT OR CHANGE-IN-CONTROL

We have entered into certain agreements and maintain certain plans that will require us to provide compensation to our named executive officers in the event of a termination of employment with Freddie Mac. The compensation and benefits potentially payable to each named executive officer if the officer had terminated his employment under various circumstances as of December 31, 2009 are reported in the discussion and tables below. For more information, see Employment and Separation Agreements below.

FHFA reviewed the terms of the employment agreements for Messrs. Haldeman and Kari and approved the termination benefits set forth therein.

We also have a corporate severance policy. Under this policy, executive officers, including our named executive officers, would typically receive severance benefits in an amount equal to one year s Semi-Monthly Base Salary as long as their separation from service is due to a position elimination, reduction in force or is the result of management determination that it no longer maintains a high level of confidence in the executive officer s decisions, judgment and/or conduct. Severance and all other forms of termination benefits for executive officers, including all of the named executive officers, must be approved by FHFA.

We are not obligated to provide any additional compensation to our named executive officers in connection with a change in control.

Each of our named executive officers is subject to a restrictive covenant and confidentiality agreement with us. The standard agreement provides that the named executive officer will not seek employment with one of our competitors in the 12 months immediately following termination of his employment with us, regardless of whether the executive s employment is terminated by the executive, by us, or by mutual agreement. During that same 12-month period, each executive also agrees not to solicit or recruit any of our managerial employees. The agreement provides for continued confidentiality of information about us that constitutes trade secrets or proprietary or confidential information.

As of December 31, 2009, none of our named executive officers, except Mr. Kellermann and Mr. Federico, had vested in his benefits under the Pension Plan and the Pension SERP Benefit. The amounts presented in the table later in this section do not include vested RSU or stock option awards, vested balances in the Thrift/401(k) SERP Benefit or vested benefits in the Pension SERP Benefit as of December 31, 2009, because such vesting was not in connection with a termination or change in control. Amounts shown in the tables also do not include certain items available to all employees generally upon a termination event.

For RSUs, the value shown in the tables is calculated on a grant-by-grant basis by multiplying the number of unvested RSUs by the closing price of our common stock on December 31, 2009. No value is included in the tables for stock options because the exercise prices for all such options held by named executive officers are substantially higher than the closing price of our common stock on December 31, 2009.

Alternative Settlement Provisions of Equity Awards in the Event of Certain Terminations

RSUs

The RSUs awarded to our employees, including our named executive officers, contain alternative settlement provisions in the event of certain terminations, as follows:

Immediate vesting and settlement occurs in the event of death.

In the event of disability, normal retirement or a retirement other than a normal retirement, as defined in the 2004 Employee Plan, as amended and restated as of June 6, 2008, RSUs will vest immediately and will be settled in accordance with the vesting schedule outlined in the award agreement as if termination had not occurred. This treatment is subject to the executive s signing an agreement containing certain restrictive covenants, including, but not limited to, non-competition, non-solicitation, continued cooperation and other matters to protect our business interests. Violation of any of the covenants results in the forfeiture of unsettled shares and the requirement to repay any after-tax gain realized from the settlement of shares within 12 months of the forfeiture event.

In the event of a termination that results in the payment of severance benefits, the RSUs vest immediately and settle in accordance with the vesting schedule outlined in the award agreement as if termination had not occurred. Under interim guidance provided by FHFA, this provision is only applicable to awards scheduled to vest within 12 months of the executive s termination date.

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Stock Options

The stock options granted to our employees, including our named executive officers, include alternative settlement provisions in the event of certain terminations which are similar to the provisions for RSUs, with the following modifications:

The stock options remain exercisable for three years after the date of termination in the event of death.

The stock options remain exercisable for the full balance of their term in the event of disability.

In the event of retirement, as defined in the 2004 Employee Plan, stock options will continue to vest and remain exercisable for the full balance of their term, subject to the executive s signing an agreement containing the same restrictive covenants as described above for RSUs.

In the event of a termination that results in the payment of severance benefits, stock options will continue to vest in accordance with the vesting schedule outlined in the agreement as if termination had not occurred and remain exercisable for the full balance of their term. Under interim guidance provided by FHFA, this provision is only applicable to options scheduled to vest within 12 months of the executive s termination date.

If the individual s employment is terminated for any reason other than those described above, the employee has 90 days after termination to exercise options vested as of the date of termination. All options unvested as of the date of termination are forfeited.

Potential Payments to Current Named Executive Officers

The following table describes the potential payments as of December 31, 2009 upon termination for the named executive officers employed as of that date. No information is provided with respect to a termination of employment on account of a retirement because none of the currently employed named executive officers were eligible to receive benefits upon retirement as of December 31, 2009 under any of the company s compensation or benefit plans. Additional information is provided in the footnotes following the table.

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	Voluntary or for Cause	Involuntary Without Cause	Death	Disability
Charles E. Haldeman, Jr.				
Compensation:				
Semi-Monthly Base Salary[(1)]		$ 900,000		
Incentive Opportunity[(2)]			$ 395,833	$ 395,833
Total		900,000	395,833	395,833
Ross J. Kari				
Compensation:				
Semi-Monthly Base Salary[(1)]		675,000		
Incentive Opportunity[(2)]				
Total		675,000		
Robert E. Bostrom				
Compensation:				
Semi-Monthly Base Salary[(1)]		600,000		
Incentive Opportunity[(2)]			348,750	348,750
Retention Award[(3)]		315,000	315,000	315,000
Equity Awards[(4)]		39,788	90,953	90,953
Benefits:				
Non-Qualified Pension[(5)]				324,539
Deferred Compensation Payment[(6)]				19,682
Total		954,788	754,703	1,098,924
Peter J. Federico				
Compensation:				
Semi-Monthly Base Salary[(1)]		400,000		
Incentive Opportunity[(2)]			523,438	523,438
Retention Award[(3)]		315,000	315,000	315,000
Equity Awards[(4)]		35,017	86,446	86,446
Benefits:				
Non-Qualified Pension[(5)]				
Deferred Compensation Payment[(6)]				
Total		750,017	924,884	924,884
Michael Perlman[(7)]				
Compensation:				
Semi-Monthly Base Salary[(1)]		500,000		
Incentive Opportunity[(2)]			125,000	125,000
Retention Award[(3)]		525,000	525,000	525,000
Equity Awards[(4)]		79,737	79,737	79,737
Benefits:				
Non-Qualified Pension[(5)]				235,813
Deferred Compensation Payment[(6)]				6,703
Total		1,104,737	729,737	972,253

(1) The amount reported for each named executive officer under Semi-Monthly Base Salary is equal to one times annualized Semi-Monthly Base Salary and is payable, at the named executive officer s election, in a lump sum or pursuant to the company s regular payroll schedule.

(2) The amount reported under Incentive Opportunity is equal to the actual first incentive opportunity payment associated with the 2009 Target Incentive Opportunity, which, under the terms of the Executive Compensation Program, will be paid as soon as administratively possible following death or disability to any employee who has satisfied the minimum service requirement of having been employed for a minimum of four whole calendar months during the performance year. For more information on how the actual amount paid was determined for the named executive officers, see CD&A Executive Management Compensation Program Determination of Actual 2009 Target Incentive Opportunity for Named Executive Officers.

(3) The amount reported under Retention Award reflects the unpaid portion, as of December 31, 2009, of the named executive officer s cash retention award under the Retention Program, the terms of which called for immediate payment of such unpaid portion upon termination without cause, death or disability. Those amounts were paid in March 2010.

(4) The amount reported under Equity Awards reflects the continued vesting of the named executive officer s outstanding RSU grants, as follows:

Termination Without Cause continued vesting of grants otherwise scheduled to vest within 12 months in accordance with interim guidance provided by FHFA, except for Mr. Perlman, whose offer letter provides that all outstanding RSU grants will continue to vest according to the normal vesting schedule specified in the award agreements; and,

Death and Disability continued vesting of all grants in accordance with the vesting schedule outlined in the award agreement as if termination had not occurred.

Market value is calculated by multiplying the number of RSUs that will continue to vest by the closing price of our common stock on December 31, 2009 ($1.47), the last day of trading for the year.

(5) The amount reported under Non-Qualified Pension reflects the unvested Pension SERP Benefit as of December 31, 2009, which is payable upon disability. Unvested Pension SERP Benefits are not payable in the event of death. Mr. Federico is fully vested in the Pension SERP Benefit. Mr. Federico is also fully vested in the Thrift/401(k) SERP Benefit. Amounts already vested are not required to be shown in the table above. See Pension Benefits for information about vested amounts.

(6) The amount reported under Deferred Compensation Payment reflects the unvested Thrift/401(k) SERP Benefit as of December 31, 2009, which is also payable upon a disability event. Non-vested Thrift/401(k) SERP Benefits are not payable in the event of death. Amounts already vested are not required to be shown above. See Note 7 to the Summary Compensation Table for information about vested amounts.

(7) Mr. Perlman s offer letter provides that, in the event of an involuntary termination without cause that occurs between the second and third anniversaries of his hire date a period which includes December 31, 2009 he will receive a lump sum cash payment equal to two times his target short-term incentive in effect at the time of termination. However, under the terms of the Executive Compensation Program, none of the Covered Officers have a target short-term incentive. Accordingly, the amounts reported do not include any short-term incentive payment.

Former Named Executive Officers

The following narrative describes the actual payments made to those named executive officers who were no longer serving as named executive officers as of December 31, 2009.

John A. Koskinen

On August 10, 2009, upon the appointment of Mr. Haldeman as Chief Executive Officer, Mr. Koskinen relinquished his role as Interim Chief Executive Officer and returned to the position of Non-Executive Chairman. Although Mr. Koskinen did receive compensation for his services as Interim Chief Executive Officer (see Director Compensation), Mr. Koskinen was not an employee and did not receive any benefits relating to the termination of his service as the Interim Chief Executive Officer.

David M. Moffett

Mr. Moffett resigned his position as Chief Executive Officer effective March 13, 2009. Mr. Moffett did not receive any post-termination employment benefits.

David B. Kellermann

Mr. Kellermann died on April 22, 2009, while serving as our Acting Chief Financial Officer.

Not including payments made pursuant to benefit plans generally available to all employees, payments made to Mr. Kellermann s beneficiaries pursuant to agreements or plans in effect at the time of his death consist of: (1) retention award $680,000, representing the unpaid portion of Mr. Kellermann s retention award which became payable at the time of his death pursuant to the terms of the Retention Program; (2) payments made pursuant to the Pension Plan and the Pension SERP Benefit, which are reported in Pension Benefits 2009 ; and (3) the Thrift/401(k) SERP Benefit and the EDCP account, which are reported in Nonqualified Deferred Compensation.

EMPLOYMENT AND SEPARATION AGREEMENTS

Messrs. Haldeman and Kari

The various agreements entered into in connection with the employment of Messrs. Haldeman and Kari are summarized above. See Written Agreements Relating to Employment of CEO and CFO.

Mr. Bostrom

The company has no continuing obligations under the letter agreement entered into with Mr. Bostrom (in January 2006). The final installment of 3,000 shares pursuant to his sign-on RSU award, as set forth in his letter agreement, vested on March 3, 2010.

The agreement pertaining to Mr. Bostrom was filed as an exhibit to the Form 10-K/A filed on April 30, 2009.

Mr. Federico

We do not have an employment agreement with Mr. Federico.

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Mr. Perlman

Freddie Mac entered into an offer letter with Mr. Perlman dated July 24, 2007. The letter established Mr. Perlman s base salary, targeted bonus and long term incentive for 2007, subject to review and adjustment for future years as part of Freddie Mac s annual performance management processes.

Mr. Perlman s offer letter also included a provision requiring Freddie Mac to pay him a termination benefit if, within the first three years after his employment by Freddie Mac, Freddie Mac terminated his employment for any reason other than Gross Misconduct (as defined under Freddie Mac s officer severance policy) or violation of certain conduct standards. The amount of the termination benefit is subject to reduction over the three-year period covered by the letter. If termination occurs after the third anniversary of his employment (*i.e.*, after August 2010), Mr. Perlman will be eligible for termination benefits only as provided under the officer severance policy. The payment of any such benefits would require FHFA approval.

Mr. Perlman s letter agreement was filed as an exhibit to our Registration Statement on Form 10.

Messrs. Moffett, Koskinen and Kellermann

We did not have an employment agreement with Mr. Moffett prior to his resignation or with Mr. Kellermann prior to his death. We also did not have an employment agreement with Mr. Koskinen for the period during which he served as Interim Chief Executive Officer.

DIRECTOR COMPENSATION

After we entered conservatorship, FHFA approved compensation for Board members in the form of cash retainers only, paid on a quarterly basis. Under the terms of the Purchase Agreement, without Treasury s consent, we are prohibited from making stock grants to directors while this agreement remains in effect. We do not maintain any pension or retirement plans for directors. Non-employee directors are reimbursed for reasonable out-of-pocket costs for attending each meeting of the Board or a Board committee of which they are a member.

Mr. Koskinen and Mr. Glauber received the annual retainers indicated in the table below reflecting their roles on the Board prior to assuming their interim positions. In September 2009, the Board of Directors, with the concurrence of FHFA, approved additional compensation for Mr. Koskinen and Mr. Glauber for their service as Interim Chief Executive Officer and Interim Non-Executive Chairman, respectively, from March 2009 until August 2009. During the period of their service in these interim positions, Messrs. Koskinen and Glauber continued to be compensated at the rate established for their original positions as Non-Executive Chairman and Board member, respectively. The additional compensation was as follows:

(i) Mr. Koskinen received an additional $250,685 for his service as Interim Chief Executive Officer, based on a pro rata application of the $900,000 base salary established for our Chief Executive Officer, less the amount of compensation otherwise paid to him for this period.

(ii) Mr. Glauber received an additional $49,315 for his service as Interim Non-Executive Chairman, based on a pro rata application of the $290,000 annual retainer established for our Non-Executive Chairman, less the amount of compensation otherwise paid to him for this period.

Board compensation during conservatorship is shown in the table below.

2009 Non-Employee Director Compensation Levels

Board Service	
Cash Compensation	
Annual Retainer	$ 160,000
Annual Retainer for Non-Executive Chairman	290,000
Committee Service (Cash)	
Annual Retainer for Audit Committee Chair	$ 25,000
Annual Retainer for Business and Risk Committee Chair	15,000
Annual Retainer for Committee Chairs (other than Audit or Business and Risk)	10,000
Annual Retainer for Audit Committee Members	10,000

Historical Equity Compensation. Prior to conservatorship, non-employee directors received stock-based compensation under the Directors Plan in the form of RSUs. The number of RSUs awarded to non-employee directors was calculated by dividing the dollar amount of the award by the fair market value of our common stock on the grant date. Fair market value is defined under the Directors Plan as the closing sales price of a share of our common stock reported for such date. For RSU grants made beginning March 3, 2007, vesting occurred in four equal increments with 25% vesting on each anniversary date of the grant, unless vesting was accelerated under certain circumstances, including death, disability or retirement from the Board. For equity grants outstanding as of December 31, 2006, vesting with respect to both stock options and RSUs occurred in equal increments over four terms on the Board, with 25% vesting at the end of every term of office, unless vesting was accelerated under certain circumstances, including death, disability or retirement from the Board.

Dividend equivalents on RSUs previously granted to our non-employee directors were accrued as additional RSUs and were generally settled at the same time as the underlying RSUs. However, unlike the underlying RSUs, the dividend equivalents on RSUs were not subject to a vesting schedule and were settled upon termination of Board service irrespective of whether the underlying RSUs vested. A director forfeited unvested RSUs upon a termination other than for death, disability or retirement. Retirement for purposes of the Directors Plan was a termination resulting from the director s attainment of 72 years of age or ten consecutive terms in office.

Effective as of January 1, 2006, we stopped granting dividend equivalents on awards of stock options to non-employee directors. Prior to January 1, 2006, however, stock options granted to our non-employee directors had dividend equivalent rights on each share underlying the option equal to the dividend per share declared and paid on our outstanding common stock. For stock options vested as of December 31, 2004, dividend equivalents were accrued and were payable in cash upon exercise or expiration of the option.

Non-Employee Director Stock Ownership Guidelines. Prior to conservatorship, non-employee directors generally were expected to hold an investment of at least five times the annual Board retainer in our common stock within five years after joining the Board, unless the former Governance, Nominating and Risk Oversight Committee determined that it was unduly burdensome for a director to make such an investment. In February 2009, the Board eliminated the stock ownership guidelines because we had ceased paying directors stock-based compensation.

The following table summarizes the 2009 compensation provided to all persons who served as non-employee directors during 2009.

2009 Director Compensation

Name	**Fees Earned or Paid in Cash**	**Stock Awards**	**Option Awards**	**Change in Pension Value and Nonqualified Deferred Compensation Earnings[4]**	**All Other Compensation[5][6]**	**Total**
B. Alexander[2][3]	$ 175,000	$		$	$ 10,028	$ 185,028
R. Glauber[1][2][3]	229,315				10,028	239,343
N. Retsinas[2]	160,000			3	428	160,431
L. Bammann	170,000				10,028	180,028
C. Byrd	170,000				2,028	172,028
L. Hirsch	160,000				10,028	170,028
J. Koskinen[1]	540,685				10,028	550,713
C. Lynch	185,000				28	185,028
E. Shanks, Jr.	170,000				28	170,028
A. Williams	160,000				28	160,028

(1) The amounts reported reflect additional compensation for John Koskinen and Robert Glauber of $250,685 and $49,315, respectively, for their service from March 2009 until August 2009, as Interim Chief Executive Officer and Non-Executive Chairman, respectively.

(2) At December 31, 2009, the aggregate number of common shares underlying the outstanding RSU awards that had not vested and were held by each non-employee director was as follows: Ms. Alexander 5,043 shares; Mr. Glauber 5,043 shares; and Mr. Retsinas 4,686 shares.

(3) At December 31, 2009, the aggregate number of common shares underlying outstanding option awards, exercisable and unexercisable, held by each non-employee director was as follows: Ms. Alexander 6,360 shares; and Mr. Glauber 1,822 shares.

(4) We do not have any pension or retirement plans for our non-employee directors. For Mr. Retsinas, includes approximately $3.00 in above-market interest earned in 2009 on his deferred compensation balances. Deferred compensation to be settled in cash is credited with interest compounded quarterly at the rate of: (i) 1% per annum in excess of the prime rate as reported by the *Wall Street Journal* on the first business day of each calendar year during the deferral period; or (ii) such other rate as is determined by the Compensation Committee. In 2009, interest was credited at a rate of 4.25% based on the prime rate on January 2, 2009 of 3.25% plus 1%. Disclosure of nonqualified deferred compensation earnings for Mr. Retsinas consisted of the above-market portion of interest paid in 2009. Of the 4.25% rate of interest that was paid in 2009 on the deferred compensation balances of Mr. Retsinas, 0.02% was considered above-market. The market rate of interest for 2009 was 4.23%, which was 120% of the applicable federal quarterly compounded long-term rate for January 2009.

(5) The Freddie Mac Foundation provides a dollar-for-dollar match to eligible organizations and institutions, up to an aggregate amount of $10,000 per director per fiscal year. Matching contributions made to charities designated by the non-employee directors were as follows: Ms. Alexander, $10,000; Ms Bammann, $10,000; Mr. Glauber, $10,000; Mr. Koskinen, $10,000; Mr. Hirsch, $10,000; Ms. Byrd, $2,000; and Mr. Retsinas, $400.

(6) We have provided Business Travel Accident Insurance for officers, employees and non-employee directors for many years. The basic benefit provides $250,000 to their heirs in the event of accidental death while on business

travel for Freddie Mac. The cost of this insurance ($28) is attributed to each non-employee director as compensation and reported on a tax Form 1099 each year.

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ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

Security Ownership

Our only class of voting stock is our common stock. The following table shows the beneficial ownership of our common stock as of April 8, 2010 by our current directors, our named executive officers, all of our directors and executive officers as a group, and holders of more than 5% of our common stock. Beneficial ownership is determined in accordance with SEC rules for computing the number of shares of common stock beneficially owned by a person and the percentage ownership of that person. As of April 8, 2010, each director and named executive officer, and all of our directors and executive officers as a group, owned less than 1% of our outstanding common stock. The information presented below is based on information provided to us by the individuals or entities specified in the table.

Stock Ownership by Directors, Executive Officers and Greater Than 5% Holders

As of April 8, 2010

Name	Position	Common Stock Beneficially Owned Excluding Stock Options*	Stock Options Exercisable Within 60 Days of April 8, 2010	Total Common Stock Beneficially Owned*
Directors				
Linda B. Bammann	Director	0	0	0
Carolyn H. Byrd	Director	0	0	0
Robert R. Glauber	Director	5,042(1)	1,822	6,864
Laurence E. Hirsch	Director	0	0	0
John A. Koskinen	Director	0	0	0
Christopher S. Lynch	Director	0	0	0
Nicolas P. Retsinas	Director	7,300(2)	0	7,300
Eugene B. Shanks, Jr.	Director	0	0	0
Anthony A. Williams	Director	0	0	0
Charles E. Haldeman, Jr.	Chief Executive Officer	0	0	0
David M. Moffett	Former Chief Executive Officer	0	0	0
Ross J. Kari	EVP Chief Financial Officer	0	0	0
David B. Kellermann	Former Acting Chief Financial Officer	0	9,570	9,570
Robert E. Bostrom	EVP General Counsel & Corporate Secretary	45,808(3)	11,950	57,758
Peter J. Federico	SVP Investments & Capital Markets and	39,023(4)	19,390	58,413

	Treasurer			
Michael Perlman	EVP Operations & Technology	33,092(5)	0	33,092
All directors and executive officers as a group (26 persons)		375,681(6)	199,962	575,643

5% Holder	Common Stock Beneficially Owned	Percent of Class
U.S. Department of the Treasury 1500 Pennsylvania Avenue, NW Washington, D.C. 20220	Variable(7)	79.9%

* Includes shares of stock beneficially owned as of April 8, 2010. Also includes RSUs vesting within 60 days of April 8, 2010. An RSU represents a conditional contractual right to receive one share of Freddie Mac common stock at a specified future date. See Executive Compensation Director Compensation Historical Equity Compensation and Executive Compensation Compensation Discussion and Analysis above for more information.

(1) Includes 4,858 RSUs and 184 dividend equivalents on RSUs.

(2) Includes 3,432 RSUs and 79 dividend equivalents on RSUs.

(3) Includes 2,748 RSUs.

(4) Includes 0 RSUs.

(5) Includes 13,471 RSUs.

(6) Includes 37,915 RSUs and 263 dividend equivalents on RSUs.

(7) In September 2008, we issued to Treasury a warrant to purchase, for one one-thousandth of a cent ($0.00001) per share, shares of our common stock equal to 79.9% of the total number of shares of our common stock outstanding on a fully diluted basis at the time the warrant is exercised. The warrant may be exercised in whole or in part at any time until September 7, 2028. As of the date of this filing, Treasury has not exercised the warrant. The information above assumes Treasury beneficially owns no other shares of our common stock.

Securities Authorized for Issuance Under Equity Compensation Plans

The following table provides information about our common stock that may be issued upon the exercise of options, warrants and rights under our existing equity compensation plans at December 31, 2009. Our stockholders have approved the Employee Stock Purchase Plan, or the ESPP, the 2004 Employee Plan, the 1995 Employee Plan and the 1995 Directors Stock Compensation Plan, or the Directors Plan. We suspended the operation of these plans following our entry into conservatorship and are no longer granting awards under such plans.

Plan Category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by stockholders	6,698,498(1)	$ 33.46(2)	32,096,126(3)
Equity compensation plans not approved by stockholders	None	N/A	None

(1) Includes 2,924,656 restricted stock units and restricted stock issued under the Directors Plan, the 1995 Employee Plan and the 2004 Employee Plan.
(2) For the purpose of calculating this amount, the restricted stock units and restricted stock are assigned a value of zero.
(3) Includes 24,704,355 shares, 5,845,739 shares and 1,546,032 shares available for issuance under the 2004 Employee Plan, the ESPP and the Directors Plan, respectively. No shares are available for issuance under the 1995 Employee Plan.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

Policy Governing Related Person Transactions

The Board has adopted a written policy governing the Approval of Related Person Transactions, or the Related Person Transactions Policy. This policy sets forth procedures for the review and approval or ratification of transactions involving related persons, which consist of any person who is, or was at any time since the beginning of the company s last completed fiscal year, a director, a director nominee, an executive officer, or an immediate family member of any of the foregoing persons.

Under authority delegated by the Board, the Executive Vice President General Counsel & Corporate Secretary, or the General Counsel, and the Nominating and Governance Committee (or its Chair under certain circumstances) (each, an Authorized Approver) are responsible for applying the Related Person Transactions Policy. Transactions covered by the Related Person Transactions Policy consist of any transaction, arrangement or relationship or series of similar transactions, arrangements or relationships, in which (i) the aggregate amount involved exceeded or is expected to exceed $120,000; (ii) the company was or is expected to be a participant; and (iii) any related person had or will have a direct or indirect material interest. The Related Person Transactions Policy includes a list of categories of transactions identified by the Board as having no significant potential for an actual conflict of interest or the appearance of a conflict or improper benefit to a related person, and thus not subject to review.

The company s Legal Division will assess whether any proposed transaction involving a related person is covered by the Related Person Transactions Policy. If so, the transaction will be reviewed by the appropriate Authorized Approver. In consultation with the Chair of the Nominating and Governance Committee, the General Counsel may refer any proposed transaction to the Nominating and Governance Committee for review and approval.

If possible, approval of a related person transaction will be obtained prior to the effectiveness or consummation of the transaction. If advance approval of a related person transaction by the appropriate Authorized Approver is not feasible or otherwise not obtained, then the transaction will be considered promptly by the appropriate Authorized Approver to determine whether ratification is warranted.

In determining whether to approve or ratify a related person transaction covered by the Related Person Transactions Policy, the appropriate Authorized Approver will review and consider all relevant information which may include: (i) the nature of the related person s interest in the transaction; (ii) the approximate total dollar value of, and extent of the related person s interest in, the transaction; (iii) whether the transaction was or would be undertaken in the ordinary course of business of the company; (iv) whether the transaction is proposed to be, or was, entered into on terms no less favorable to the company than terms that could have been reached with an unrelated third party; and (v) the purpose, and potential benefits to the company, of the transaction.

Corporate Governance Guidelines

In March 2010, the Board adopted revised Corporate Governance Guidelines, or our Guidelines, which are available on our website at www.freddiemac.com/governance/pdf/gov_guidelines.pdf.

Director Independence

The non-employee members of the Board made the following determinations concerning the independence, as defined in both Section 303A.02 of the NYSE Listed Company Manual and Sections 4 and 5 of our Guidelines, of the members of our Board who have served in 2010, each of whom also served on our Board in 2009, and David M. Moffett, who served on our Board in 2009.

Charles E. Haldeman, Jr. and David M. Moffett, our current and former Chief Executive Officers, respectively, are and were not independent.

John A. Koskinen, who served as our Interim Chief Executive Officer from March 13, 2009 until August 10, 2009, was not independent while he served in that position.

Anthony A. Williams was not independent from January 1, 2009 until September 3, 2009, because of payments made by Freddie Mac in 2005 and 2006 to an affiliate of Friedman, Billings, Ramsey Group, Inc. This affiliate provided brokerage services to Freddie Mac in connection with transactions in agency securities during 2005 and 2006, and the payments were related to those services. Mr. Williams was employed by an indirect wholly-owned subsidiary of Friedman, Billings, Ramsey Group, Inc. from January 2007 to May 2009.

All other members of our Board were independent during their service in 2009 and 2010, Mr. Koskinen was independent other than during the period when he served as Interim Chief Executive Officer, and Mr. Williams was independent as of September 3, 2009.

The non-employee members of the Board also concluded that all current members of the Audit Committee, the Compensation Committee and the Nominating and Governance Committee are independent within the meaning of both Section 303A.02 of the NYSE Listed Company Manual and Sections 4 and 5 of our Guidelines. The non-employee members of the Board also determined that all current members of the Audit Committee and Ms. Bammann, who was a member of the Audit Committee until March 19, 2010, are independent within the meaning of Rule 10A-3 promulgated under the Exchange Act, and Section 303A.06 of the NYSE Listed Company Manual.

In determining the independence of each Board member, the non-employee members of the Board reviewed the following categories or types of relationships, in addition to those specifically addressed by the standards contained in Section 5 of our Guidelines, to determine whether those relationships, either individually or when aggregated with other relationships, would constitute a material relationship between the Director and Freddie Mac that would impair a Director s judgment as a member of the Board or create the perception or appearance of such an impairment:

Service As Interim Chief Executive Officer Of Freddie Mac. As discussed above, Mr. Koskinen served as our Non-Executive Chairman until he was appointed Interim Chief Executive Officer from March 13, 2009, until August 10, 2009, when Mr. Haldeman was appointed our Chief Executive Officer and Mr. Koskinen resumed the position of Non-Executive Chairman. At the time of Mr. Koskinen s appointment as Interim Chief Executive Officer, the non-employee members of the Board determined that they would treat him as a non-independent director under Section 303A.02 of the NYSE Listed Company Manual and Sections 4 and 5 of our Guidelines while he served as Interim Chief Executive Officer, but that after such service ended, they would reconsider his independence in light of such service. The non-employee members of the Board reconsidered Mr. Koskinen s independence when Mr. Haldeman was appointed as Chief Executive Officer and concluded that Mr. Koskinen was independent under Section 303A.02 of the NYSE Listed Company Manual and Sections 4 and 5 of our Guidelines upon his resumption of the position of Non-Executive Chairman.

Board Memberships With For-Profit Business Partners. Mses. Alexander and Bammann and Messrs. Glauber, Lynch and Retsinas serve as directors of other companies that engage or have engaged in business with Freddie Mac resulting in payments between Freddie Mac and such companies during the past three fiscal years. In each case, the amount of the payments fell below the applicable threshold in our Guidelines that would automatically preclude a Board member who is a current executive officer or employee of a company that does business with Freddie Mac from being independent. In light of this fact, the nature and extent of the specific relationship between each of those companies and Freddie Mac, and the fact that these Board members are directors of these other companies rather than employees, the non-employee members of the Board concluded that those business relationships did not constitute material relationships between any of the Directors and Freddie Mac that would impair their independence as Freddie Mac Directors.

Board Memberships With Charitable Organizations To Which We Have Made Contributions. Messrs. Koskinen, Retsinas and Williams or their immediate family members serve as board members or trustees of charitable organizations that have received monetary contributions from Freddie Mac, the

Freddie Mac Foundation or contributions by executive officers of Freddie Mac within the last three fiscal years. In each case, the total annual amount contributed was below the applicable threshold in our Guidelines that would require a specific determination that the Board member is independent in spite of the contribution. The non-employee members of the Board considered the contributions and the nature of the organizations and concluded that those relationships with charitable organizations did not constitute material relationships between any of the Directors and Freddie Mac that would impair their independence as Freddie Mac Directors.

Board Members Who Are Executive Officers Or Employees Of Business Partners. Mr. Williams was appointed as Executive Director of the Government Practice at The Corporate Executive Board Company, or CEB, in January 2010. CEB provides best practices research and analysis and executive education to corporations through memberships in various subject-matter interest groups organized and managed by CEB. Mr. Williams responsibilities at CEB include contributing to and authoring literature; advising on the development of CEB s state and local government service strategy and its existing federal government service offerings; and promoting future CEB services. Freddie Mac purchased memberships in 23, 23, 11 and 8 membership groups, and paid CEB $674,250, $696,600, $362,100 and $351,400 for those memberships, in 2007, 2008, 2009 and 2010, respectively. The annual amounts of Freddie Mac s payments to CEB in 2007, 2008 and 2009 were substantially below 2% of CEB s annual revenues for the applicable years and the 2010 payment is substantially less than 2% of CEB s 2009 revenues. Therefore, under our Guidelines, those annual payments do not preclude the non-employee members of the Board from concluding that Mr. Williams is independent. The non-employee members of the Board considered those payments and the nature and extent of the relationship between Freddie Mac and CEB and concluded that this business relationship did not constitute a material relationship between Mr. Williams and Freddie Mac that would impair Mr. Williams independence as a Freddie Mac Director.

Board Diversity

The Board identifies Director nominees or candidates when the Conservator has requested that the Board identify candidates for the Conservator to consider for election by written consent and when there is a vacancy on the Board, at which time the Board may exercise the authority delegated to it by the Conservator to fill such vacancies, subject to review by the Conservator.

The Board does not have a formal policy with regard to the consideration of diversity in identifying director nominees or candidates. However, our charter provides that our Board must at all times have at least one person from the homebuilding, mortgage lending and real estate industries, and at least one person from an organization representing community or consumer interests or one person who has demonstrated a career commitment to the provision of housing for low-income households. In addition, the examination guidance for Corporate Governance issued by FHFA provides that in identifying individuals for nomination for election to the Board, the Board should consider the knowledge of such individuals, as a group, in the areas of business, finance, accounting, risk management, public policy, mortgage lending, real estate, low-income housing, homebuilding, regulation of financial institutions and any other areas that may be relevant to the safe and sound operation of Freddie Mac.

In addition, our Guidelines explain that Freddie Mac seeks to have a diversity of talent on the Board and that candidates are selected, in part, for their experience and expertise. The Guidelines also explain that when identifying Director nominees, the Nominating and Governance Committee considers, among other factors, the needs of the Company, the talents and skills then available on the Board and, with respect to incumbent directors, their continued involvement in business and professional activities relevant to the Company, the skills and experience that should be represented on the Board, the availability of other individuals with desirable skills to join the Board and the desire to maintain a diverse Board.

Board Leadership Structure and Role in Risk Oversight

At Freddie Mac, the positions of Chief Executive Officer and Non-Executive Chairman of the Board are held by different individuals. This leadership structure was established by the Conservator when it appointed separate individuals to hold those two positions in September 2008.

The responsibility for risk oversight is shared by two committees of the Board, the Business and Risk Committee and the Audit Committee. The Business and Risk Committee is responsible for assisting the Board in the oversight, on an enterprise-wide basis, of Freddie Mac s risk management framework, including management of credit risk (including counterparty risk), market risk (including interest rate and liquidity risk), model risk, operational risk, strategic risk and reputation risk. Consistent with the requirements of the listing standards of the NYSE, the risk oversight responsibilities of the Audit Committee include reviewing: (i) management s guidelines and policies governing the processes for assessing and managing Freddie Mac s risks; and (ii) Freddie Mac s major financial risk exposures (including but not limited to market, credit and operational risks) and the steps management has taken to monitor and control such exposures.

The Business and Risk Committee and the Audit Committee generally meet in joint session at least quarterly to carry out their respective risk oversight responsibilities on behalf of the Board. The membership of those two committees collectively consists of all members of the Board except Messrs. Koskinen and Haldeman, who generally also attend the joint sessions. Copies of the Charters of the Audit Committee and the Business and Risk Committee are available on Freddie Mac s website at http://www.freddiemac.com/governance/bd_committees.html.

The Chief Enterprise Risk Officer and the Chief Credit Officer report regularly to the joint meetings of the Business and Risk Committee and the Audit Committee. In addition, the Chief Credit Officer reports separately to the Business and Risk Committee. The Chief Enterprise Risk Officer and the Chief Credit Officer also report to the full Board as appropriate.

Transactions with 5% Shareholders

Treasury beneficially owns more than 5% of the outstanding shares of our common stock by virtue of the warrant we issued to Treasury on September 7, 2008. The warrant entitles Treasury to purchase shares equal to 79.9% of our outstanding common stock on the date of exercise. We issued the warrant pursuant to the terms of the Purchase Agreement we entered into with Treasury on September 7, 2008. Under the Purchase Agreement, we also issued to Treasury one million shares of senior preferred stock. We issued the warrant and the senior preferred stock as an initial commitment fee in consideration of Treasury s commitment to provide funds to us under the terms and conditions set forth in the Purchase Agreement. The Purchase Agreement was subsequently amended and restated on September 26, 2008, and further amended on May 6, 2009 and December 24, 2009. Under the Purchase Agreement, Treasury has provided us with its commitment to provide up to $200 billion in funding under specified conditions. The $200 billion cap on Treasury s funding commitment will increase as necessary to accommodate any cumulative reduction in our net worth during 2010, 2011 and 2012. To date we have received an aggregate of $50.7 billion in funding under the Purchase Agreement. We also entered into the Lending Agreement with Treasury pursuant to which Treasury established a secured lending credit facility that was available to us as a liquidity back-stop. The Lending Agreement expired on December 31, 2009. We did not make any borrowings under the Lending Agreement. See Part I Item 1 Business Conservatorship and Related Developments Treasury Agreements of our Form 10-K for more information about the Purchase Agreement, the warrant and the Lending Agreement. See also Part I Item 1 Business Conservatorship and Related Developments Effect of Conservatorship and Treasury Agreements on Existing Stockholders, Part I Item 1A Risk Factors Conservatorship and Related Developments and Part II Item MD&A Liquidity and Capital Resources Dividend Obligation on the Senior Preferred Stock and Capital Resources for information about the impact of these agreements on the company.

On September 7, 2008, Treasury also announced the GSE mortgage-backed securities purchase program under which Treasury conducted open market purchases of mortgage-backed securities issued by us and Fannie Mae. This program expired on December 31, 2009. According to information provided by Treasury, as of December 31, 2009, it held $197.6 billion of mortgage-related securities issued by us and Fannie Mae previously purchased under this program. See Part I Item 1 Business Conservatorship and Related Developments Treasury Agreements of our Form 10-K.

On February 18, 2009, the Obama Administration announced the MHA Program, which includes HAMP and the Home Affordable Refinance Program as its key initiatives. In addition to participating in initiatives under the MHA Program, we play a role in administering the MHA Program on behalf of Treasury. On February 18, 2009, we entered into a Financial Agency Agreement with Treasury to assist Treasury in designing a standardized, streamlined mortgage loan modification program and to monitor servicer performance under the program. Treasury will reimburse us for the expenses we incur in connection with providing these services. See Part II Item 7 MD&A Executive Summary MHA Program of our Form 10-K.

On October 19, 2009, we entered into a Memorandum of Understanding with Treasury, FHFA and Fannie Mae, which sets forth the terms under which Treasury and, as directed by FHFA, we and Fannie Mae, would provide assistance, through three separate programs, to state and local housing finance agencies, or HFAs, so that the HFAs can continue to meet their mission of providing affordable financing for both single-family and multifamily housing. FHFA directed us and Fannie Mae to participate in the HFA initiative on a basis that is consistent with the goals of being commercially reasonable and safe and sound. Treasury s participation in these assistance programs does not affect the amount of funding that Treasury can provide to Freddie Mac under the terms of our Purchase Agreement with Treasury. Since October 19, 2009 and prior to December 31, 2009, Treasury, we, Fannie Mae and participating HFAs entered into definitive agreements setting forth the respective parties obligations under this initiative. See Part II Item 7 MD&A Executive Summary MHA Program of our Form 10-K.

FHFA, as conservator, approved the Purchase Agreement, the Lending Agreement and our administrative role in the MHA Program. The remaining transactions described above did not require review and approval under any of our policies and procedures relating to transactions with related persons.

Transactions with Institutions Related to Directors

In the ordinary course of business, we were a party during 2009, and expect to continue to be a party during 2010, to certain business transactions with institutions affiliated with members of our Board. Management believes that the terms and conditions of the transactions were no more and no less favorable to us than the terms of similar transactions with unaffiliated institutions to which we are, or expect to be, a party. The only such transaction that is required to be disclosed under SEC rules is described below.

Mr. Williams joined Freddie Mac s Board in December 2008. In January of 2010, he was appointed Executive Director of the Government Practice at CEB. CEB provides best practices research and analysis and executive education to corporations through memberships in various subject-matter interest groups organized and managed by CEB. Mr. Williams responsibilities at CEB include contributing to and authoring literature; advising on the development of CEB s state and local government service strategy and its existing federal government service offerings; and promoting future CEB services. Freddie Mac purchased memberships in certain membership groups, and paid CEB $362,100 and $351,400 for those memberships, in 2009 and 2010, respectively.

This transaction was not required to be reviewed, approved or ratified under Freddie Mac s Related Person Transactions Policy because the Board concluded that Freddie Mac s business relationship with CEB did not constitute a material relationship between Mr. Williams and Freddie Mac that would impair Mr. Williams independence as a Freddie Mac Director.

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Conservatorship Agreements

Treasury, FHFA and the Board of Governors of the Federal Reserve System have taken a number of actions to support us during conservatorship, including entering into the Purchase Agreement and the now expired Lending Agreement, each described in our Form 10-K. See Part I Item 1 Business Conservatorship and Related Developments Overview of Purchase Agreement and Part I Item 1 Business Conservatorship and Related Developments Treasury Agreements, Treasury Mortgage-Related Securities Purchase Program and Federal Reserve Debt and Mortgage-Related Securities Purchase Program.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

Description of Fees[(1)]

The following is a description of fees billed to us by PricewaterhouseCoopers LLP during 2009 and 2008.

	2009	2008
Audit Fees[(2)]	$ 42,913,079	$ 54,577,046
Audit-Related Fees[(3)]	18,000	4,097,957
Tax Fees[(4)]	4,295,000	
All Other Fees		
Total	$ 47,226,079	$ 58,675,003

(1) These fees represent amounts billed within the designated year and include reimbursable expenses of $1,295,736 and $2,852,078 for 2009 and 2008, respectively.
(2) Audit fees include fees and expenses billed by PricewaterhouseCoopers in connection with the SAS 100 quarterly reviews of our interim financial information and the audit of Freddie Mac s annual consolidated financial statements. The audit fees billed during 2009 include fees and expenses related to the 2008 ($14,318,278) and 2009 ($28,594,801) audits. In addition to the amounts shown above, approximately $7.9 million of fees and reimbursable expenses will be billed in 2010 for the 2009 audit. The audit fees billed during 2008 include fees and expenses related to the 2007 ($10,545,550) and 2008 ($44,031,496) audits. Audit fees of $81,300 and $65,000 in 2009 and 2008, respectively, related to the Freddie Mac Foundation are excluded because these fees are incurred and paid separately by the Freddie Mac Foundation.
(3) 2009 audit-related fees resulted from our Comperio subscription ($18,000) renewals. 2008 audit-related fees principally include fees and expenses related to internal control design reviews ($2,707,957), REMIC Comfort Letters ($1,318,000), agreed upon procedures associated with a proposed capital transaction ($54,000) and Comperio subscription services ($18,000).
(4) Tax fees in 2009 include fees for providing non-audit tax compliance services relating to the preparation of 2008 tax returns, preparation of quarterly estimated tax calculations and other services relating to improving Freddie Mac s annual tax compliance process ($3,500,000), as well as process documentation services and tax accounting method change services ($295,000). Additionally, $500,000 of the 2010 tax fees were billed in 2009 upon execution of the contract. There were no tax services or payments provided in 2008.

Approval of Independent Auditor Services and Fees

As provided in its charter, the Audit Committee appoints, subject to FHFA approval, our independent public accounting firm and reviews the scope of the annual audit and pre-approves, subject (as required) to FHFA approval, all audit and non-audit services permitted under applicable law to be performed by the independent public accounting

firm. The Audit Committee has evaluated the performance of PricewaterhouseCoopers LLP and has appointed them as our independent public accounting firm for fiscal year 2010, subject to the approval of FHFA.

The Sarbanes-Oxley Act and related rules adopted by the SEC require that all services provided to companies subject to the reporting requirements of the Exchange Act by their independent auditors be pre-approved by their audit committee or by authorized members of the committee, with certain exceptions. The Audit Committee s charter requires that the Audit Committee pre-approve any audit services, and any non-audit services permitted under applicable law, to be performed by our independent auditors (or to designate one or more members of the Audit Committee to pre-approve such services and report such pre-approval to the Audit Committee).

Audit services that are within the scope of an auditor s engagement approved by the Audit Committee prior to the performance of those services are deemed pre-approved and do not require separate pre-approval. Audit services not within the scope of an Audit Committee-approved engagement, as well as permissible non-audit services, must be separately pre-approved by the Audit Committee.

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When the Audit Committee pre-approves a service, the Audit Committee typically sets a dollar limit for such service. Management endeavors to obtain pre-approval of the Audit Committee, or of the Chairman of the Audit Committee (when the Chairman of the Audit Committee has been delegated such authority), before it incurs fees exceeding the dollar limit. If the Chairman of the Audit Committee approves the increase, the Chairman will report such approval at the Audit Committee s next scheduled meeting.

The pre-approval procedure is administered by our senior financial management, which reports throughout the year to the Audit Committee. The Audit Committee pre-approved all audit and audit-related services performed in 2008 and all audit, audit-related and tax services performed in 2009.

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PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) Documents filed as part of this report:

1. Consolidated Financial Statements

The consolidated financial statements required to be filed in our annual report on Form 10-K are included in Part II, Item 8 of our Form 10-K filed on February 24, 2010 as amended by Amendment No. 1 on Form 10-K/A filed on March 4, 2010.

2. Exhibits

EXHIBIT INDEX

Exhibit No.	Description*
3.1	Federal Home Loan Mortgage Corporation Act (12 U.S.C. §1451 et seq.), as amended through July 30, 2008 (incorporated by reference to Exhibit 3.1 to the Registrant s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2008, as filed on November 14, 2008)
3.2	Bylaws of the Federal Home Loan Mortgage Corporation, as amended and restated October 9, 2009 (incorporated by reference to Exhibit 3.1 to the Registrant s Current Report on Form 8-K as filed on October 9, 2009)
4.1	Eighth Amended and Restated Certificate of Designation, Powers, Preferences, Rights, Privileges, Qualifications, Limitations, Restrictions, Terms and Conditions of Voting Common Stock (no par value per share) dated September 10, 2008 (incorporated by reference to Exhibit 4.1 to the Registrant s Current Report on Form 8-K as filed on September 11, 2008)
4.2	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), dated April 23, 1996 (incorporated by reference to Exhibit 4.2 to the Registrant s Registration Statement on Form 10 as filed on July 18, 2008)
4.3	Certificate of Creation, Designation, Powers, Preferences, Rights, Privileges, Qualifications, Limitations, Restrictions, Terms and Conditions of 5.81% Non-Cumulative Preferred Stock (par value $1.00 per share), dated October 27, 1997 (incorporated by reference to Exhibit 4.3 to the Registrant s Registration Statement on Form 10 as filed on July 18, 2008)
4.4	Certificate of Creation, Designation, Powers, Preferences, Rights, Privileges, Qualifications, Limitations, Restrictions, Terms and Conditions of 5% Non-Cumulative Preferred Stock (par value $1.00 per share), dated March 23, 1998 (incorporated by reference to Exhibit 4.4 to the Registrant s Registration Statement on Form 10 as filed on July 18, 2008)
4.5	Certificate of Creation, Designation, Powers, Preferences, Rights, Privileges, Qualifications, Limitations, Restrictions, Terms and Conditions of 5.1% Non-Cumulative Preferred Stock (par value $1.00 per share), dated September 23, 1998 (incorporated by reference to Exhibit 4.5 to the Registrant s Registration Statement on Form 10 as filed on July 18, 2008)
4.6	Amended and Restated 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), dated September 29, 1998 (incorporated by reference to Exhibit 4.6 to the Registrant s Registration Statement on Form 10 as filed on July 18, 2008)
4.7	Certificate of Creation, Designation, Powers, Preferences, Rights, Privileges, Qualifications, Limitations, Restrictions, Terms and Conditions of 5.3% Non-Cumulative Preferred Stock (par value $1.00 per share), dated October 28, 1998 (incorporated by reference to Exhibit 4.7 to the Registrant s Registration Statement on Form 10 as filed on July 18, 2008)

Exhibit No.	Description*
4.8	Certificate of Creation, Designation, Powers, Preferences, Rights, Privileges, Qualifications, Limitations, Restrictions, Terms and Conditions of 5.1% Non-Cumulative Preferred Stock (par value $1.00 per share), dated March 19, 1999 (incorporated by reference to Exhibit 4.8 to the Registrant s Registration Statement on Form 10 as filed on July 18, 2008)
4.9	Certificate of Creation, Designation, Powers, Preferences, Rights, Privileges, Qualifications, Limitations, Restrictions, Terms and Conditions of 5.79% Non-Cumulative Preferred Stock (par value $1.00 per share), dated July 21, 1999 (incorporated by reference to Exhibit 4.9 to the Registrant s Registration Statement on Form 10 as filed on July 18, 2008)
4.10	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), dated November 5, 1999 (incorporated by reference to Exhibit 4.10 to the Registrant s Registration Statement on Form 10 as filed on July 18, 2008)
4.11	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), dated January 26, 2001 (incorporated by reference to Exhibit 4.11 to the Registrant s Registration Statement on Form 10 as filed on July 18, 2008)
4.12	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), dated March 23, 2001 (incorporated by reference to Exhibit 4.12 to the Registrant s Registration Statement on Form 10 as filed on July 18, 2008)
4.13	Certificate of Creation, Designation, Powers, Preferences, Rights, Privileges, Qualifications, Limitations, Restrictions, Terms and Conditions of 5.81% Non-Cumulative Preferred Stock (par value $1.00 per share), dated March 23, 2001 (incorporated by reference to Exhibit 4.13 to the Registrant s Registration Statement on Form 10 as filed on July 18, 2008)
4.14	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), dated May 30, 2001 (incorporated by reference to Exhibit 4.14 to the Registrant s Registration Statement on Form 10 as filed on July 18, 2008)
4.15	Certificate of Creation, Designation, Powers, Preferences, Rights, Privileges, Qualifications, Limitations, Restrictions, Terms and Conditions of 6% Non-Cumulative Preferred Stock (par value $1.00 per share), dated May 30, 2001 (incorporated by reference to Exhibit 4.15 to the Registrant s Registration Statement on Form 10 as filed on July 18, 2008)
4.16	Certificate of Creation, Designation, Powers, Preferences, Rights, Privileges, Qualifications, Limitations, Restrictions, Terms and Conditions of 5.7% Non-Cumulative Preferred Stock (par value $1.00 per share), dated October 30, 2001 (incorporated by reference to Exhibit 4.16 to the Registrant s Registration Statement on Form 10 as filed on July 18, 2008)
4.17	Certificate of Creation, Designation, Powers, Preferences, Rights, Privileges, Qualifications, Limitations, Restrictions, Terms and Conditions of 5.81% Non-Cumulative Preferred Stock (par value $1.00 per share), dated January 29, 2002 (incorporated by reference to Exhibit 4.17 to the Registrant s Registration Statement on Form 10 as filed on July 18, 2008)
4.18	Certificate of Creation, Designation, Powers, Preferences, Rights, Privileges, Qualifications, Limitations, Restrictions, Terms and Conditions of Variable Rate, Non-Cumulative Perpetual Preferred Stock (par value $1.00 per share), dated July 17, 2006 (incorporated by reference to Exhibit 4.18 to the Registrant s Registration Statement on Form 10 as filed on July 18, 2008)
4.19	Certificate of Creation, Designation, Powers, Preferences, Rights, Privileges, Qualifications, Limitations, Restrictions, Terms and Conditions of 6.42% Non-Cumulative Perpetual Preferred Stock

	(par value $1.00 per share), dated July 17, 2006 (incorporated by reference to Exhibit 4.19 to the Registrant s Registration Statement on Form 10 as filed on July 18, 2008)
4.20	Certificate of Creation, Designation, Powers, Preferences, Rights, Privileges, Qualifications, Limitations, Restrictions, Terms and Conditions of 5.9% Non-Cumulative Perpetual Preferred Stock (par value $1.00 per share), dated October 16, 2006 (incorporated by reference to Exhibit 4.20 to the Registrant s Registration Statement on Form 10 as filed on July 18, 2008)

Exhibit No.	Description*
4.21	Certificate of Creation, Designation, Powers, Preferences, Rights, Privileges, Qualifications, Limitations, Restrictions, Terms and Conditions of 5.57% Non-Cumulative Perpetual Preferred Stock (par value $1.00 per share), dated January 16, 2007 (incorporated by reference to Exhibit 4.21 to the Registrant s Registration Statement on Form 10 as filed on July 18, 2008)
4.22	Certificate of Creation, Designation, Powers, Preferences, Rights, Privileges, Qualifications, Limitations, Restrictions, Terms and Conditions of 5.66% Non-Cumulative Perpetual Preferred Stock (par value $1.00 per share), dated April 16, 2007 (incorporated by reference to Exhibit 4.22 to the Registrant s Registration Statement on Form 10 as filed on July 18, 2008)
4.23	Certificate of Creation, Designation, Powers, Preferences, Rights, Privileges, Qualifications, Limitations, Restrictions, Terms and Conditions of 6.02% Non-Cumulative Perpetual Preferred Stock (par value $1.00 per share), dated July 24, 2007 (incorporated by reference to Exhibit 4.23 to the Registrant s Registration Statement on Form 10 as filed on July 18, 2008)
4.24	Certificate of Creation, Designation, Powers, Preferences, Rights, Privileges, Qualifications, Limitations, Restrictions, Terms and Conditions of 6.55% Non-Cumulative Perpetual Preferred Stock (par value $1.00 per share), dated September 28, 2007 (incorporated by reference to Exhibit 4.24 to the Registrant s Registration Statement on Form 10 as filed on July 18, 2008)
4.25	Certificate of Creation, Designation, Powers, Preferences, Rights, Privileges, Qualifications, Limitations, Restrictions, Terms and Conditions of Fixed-to-Floating Rate Non-Cumulative Perpetual Preferred Stock (par value $1.00 per share), dated December 4, 2007 (incorporated by reference to Exhibit 4.25 to the Registrant s Registration Statement on Form 10 as filed on July 18, 2008)
4.26	Certificate of Creation, Designation, Powers, Preferences, Rights, Privileges, Qualifications, Limitations, Restrictions, Terms and Conditions of Variable Liquidation Preference Senior Preferred Stock (par value $1.00 per share), dated September 7, 2008 (incorporated by reference to Exhibit 4.2 to the Registrant s Current Report on Form 8-K as filed on September 11, 2008)
4.27	Federal Home Loan Mortgage Corporation Global Debt Facility Agreement, dated April 3, 2009 (incorporated by reference to Exhibit 4.1 to the Registrant s Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2009, as filed on May 12, 2009)
10.1	Federal Home Loan Mortgage Corporation 2004 Stock Compensation Plan (as amended and restated as of June 6, 2008) (incorporated by reference to Exhibit 10.1 to the Registrant s Registration Statement on Form 10 as filed on July 18, 2008)
10.2	First Amendment to the Federal Home Loan Mortgage Corporation 2004 Stock Compensation Plan (incorporated by reference to Exhibit 10.2 to the Registrant s Registration Statement on Form 10 as filed on July 18, 2008)
10.3	Second Amendment to the Federal Home Loan Mortgage Corporation 2004 Stock Compensation Plan (incorporated by reference to Exhibit 10.4 to the Registrant s Quarterly Report on Form 10-Q, as filed on August 7, 2009)
10.4	Form of Nonqualified Stock Option Agreement for executive officers under the Federal Home Loan Mortgage Corporation 2004 Stock Compensation Plan for awards on and after March 4, 2005 but prior to January 1, 2006 (incorporated by reference to Exhibit 10.3 to the Registrant s Registration Statement on Form 10 as filed on July 18, 2008)
10.5	Form of Nonqualified Stock Option Agreement for executive officers under the Federal Home Loan Mortgage Corporation 2004 Stock Compensation Plan for awards on and after January 1, 2006 (incorporated by reference to Exhibit 10.4 to the Registrant s Registration Statement on Form 10 as filed on July 18, 2008)
10.6	Form of Restricted Stock Units Agreement for executive officers under the Federal Home Loan Mortgage Corporation 2004 Stock Compensation Plan for awards on and after March 4, 2005

(incorporated by reference to Exhibit 10.5 to the Registrant s Registration Statement on Form 10 as filed on July 18, 2008)

Exhibit No.	Description*
10.7	Form of Restricted Stock Units Agreement for executive officers under the Federal Home Loan Mortgage Corporation 2004 Stock Compensation Plan for supplemental bonus awards on March 7, 2008 (incorporated by reference to Exhibit 10.6 to the Registrant s Registration Statement on Form 10 as filed on July 18, 2008)
10.8	Form of Performance Restricted Stock Units Agreement for executive officers under the Federal Home Loan Mortgage Corporation 2004 Stock Compensation Plan for awards on March 29, 2007 (incorporated by reference to Exhibit 10.7 to the Registrant s Registration Statement on Form 10 as filed on July 18, 2008)
10.9	Form of Performance Restricted Stock Units Agreement for executive officers under the Federal Home Loan Mortgage Corporation 2004 Stock Compensation Plan for awards on March 7, 2008 (incorporated by reference to Exhibit 10.8 to the Registrant s Registration Statement on Form 10 as filed on July 18, 2008)
10.10	Federal Home Loan Mortgage Corporation Global Amendment to Affected Stock Options under Nonqualified Stock Option Agreements and Separate Dividend Equivalent Rights, effective December 31, 2005 (incorporated by reference to Exhibit 10.9 to the Registrant s Registration Statement on Form 10 as filed on July 18, 2008)
10.11	Federal Home Loan Mortgage Corporation Amendment to Restricted Stock Units Agreements and Performance Restricted Stock Units Agreements, dated December 31, 2008 (incorporated by reference to Exhibit 10.10 to the Registrant s Annual Report on Form 10-K for the fiscal year ended December 31, 2008, as filed on March 11, 2009)
10.12	Federal Home Loan Mortgage Corporation 1995 Stock Compensation Plan (incorporated by reference to Exhibit 10.10 to the Registrant s Registration Statement on Form 10 as filed on July 18, 2008)
10.13	First Amendment to the Federal Home Loan Mortgage Corporation 1995 Stock Compensation Plan (incorporated by reference to Exhibit 10.11 to the Registrant s Registration Statement on Form 10 as filed on July 18, 2008)
10.14	Second Amendment to the Federal Home Loan Mortgage Corporation 1995 Stock Compensation Plan (incorporated by reference to Exhibit 10.12 to the Registrant s Registration Statement on Form 10 as filed on July 18, 2008)
10.15	Third Amendment to the Federal Home Loan Mortgage Corporation 1995 Stock Compensation Plan (incorporated by reference to Exhibit 10.13 to the Registrant s Registration Statement on Form 10 as filed on July 18, 2008)
10.16	Form of Nonqualified Stock Option Agreement for executive officers under the Federal Home Loan Mortgage Corporation 1995 Stock Compensation Plan (incorporated by reference to Exhibit 10.14 to the Registrant s Registration Statement on Form 10 as filed on July 18, 2008)
10.17	Form of Restricted Stock Units Agreement for executive officers under the Federal Home Loan Mortgage Corporation 1995 Stock Compensation Plan (incorporated by reference to Exhibit 10.15 to the Registrant s Registration Statement on Form 10 as filed on July 18, 2008)
10.18	Federal Home Loan Mortgage Corporation Employee Stock Purchase Plan (as amended and restated as of January 1, 2005) (incorporated by reference to Exhibit 10.16 to the Registrant s Registration Statement on Form 10 as filed on July 18, 2008)
10.19	Federal Home Loan Mortgage Corporation 1995 Directors Stock Compensation Plan (as amended and restated June 8, 2007) (incorporated by reference to Exhibit 10.17 to the Registrant s Registration Statement on Form 10 as filed on July 18, 2008)
10.20	Form of Nonqualified Stock Option Agreement for non-employee directors under the Federal Home Loan Mortgage Corporation 1995 Directors Stock Compensation Plan for awards prior to 2005

(incorporated by reference to Exhibit 10.18 to the Registrant s Registration Statement on Form 10 as filed on July 18, 2008)

Exhibit No.	Description*
10.21	Form of Nonqualified Stock Option Agreement for non-employee directors under the Federal Home Loan Mortgage Corporation 1995 Directors Stock Compensation Plan for awards in 2005 (incorporated by reference to Exhibit 10.19 to the Registrant s Registration Statement on Form 10 as filed on July 18, 2008)
10.22	Form of Nonqualified Stock Option Agreement for non-employee directors under the Federal Home Loan Mortgage Corporation 1995 Directors Stock Compensation Plan for awards in 2006 (incorporated by reference to Exhibit 10.20 to the Registrant s Registration Statement on Form 10 as filed on July 18, 2008)
10.23	Resolution of the Board of Directors, dated November 30, 2005, concerning certain outstanding options granted to non-employee directors under the Federal Home Loan Mortgage Corporation 1995 Directors Stock Compensation Plan (incorporated by reference to Exhibit 10.21 to the Registrant s Registration Statement on Form 10 as filed on July 18, 2008)
10.24	Form of Restricted Stock Units Agreement for non-employee directors under the Federal Home Loan Mortgage Corporation 1995 Directors Stock Compensation Plan for awards prior to 2005 (incorporated by reference to Exhibit 10.22 to the Registrant s Registration Statement on Form 10 as filed on July 18, 2008)
10.25	Form of Restricted Stock Units Agreement for non-employee directors under the Federal Home Loan Mortgage Corporation 1995 Directors Stock Compensation Plan for awards in 2005 and 2006 (incorporated by reference to Exhibit 10.23 to the Registrant s Registration Statement on Form 10 as filed on July 18, 2008)
10.26	Form of Restricted Stock Units Agreement for non-employee directors under the Federal Home Loan Mortgage Corporation 1995 Directors Stock Compensation Plan for awards since 2006 (incorporated by reference to Exhibit 10.24 to the Registrant s Registration Statement on Form 10 as filed on July 18, 2008)
10.27	Federal Home Loan Mortgage Corporation Directors Deferred Compensation Plan (as amended and restated April 3, 1998) (incorporated by reference to Exhibit 10.25 to the Registrant s Registration Statement on Form 10 as filed on July 18, 2008)
10.28	First Amendment to the Federal Home Loan Mortgage Corporation Directors Deferred Compensation Plan (as amended and restated April 3, 1998) (incorporated by reference to Exhibit 10.27 to the Registrant s Annual Report on Form 10-K for the fiscal year ended December 31, 2008, as filed on March 11, 2009)
10.29	Federal Home Loan Mortgage Corporation Executive Deferred Compensation Plan (as amended and restated effective January 1, 2008) (incorporated by reference to Exhibit 10.28 to the Registrant s Registration Statement on Form 10 as filed on July 18, 2008)
10.30	First Amendment to the Federal Home Loan Mortgage Corporation Executive Deferred Compensation Plan (as amended and restated effective January 1, 2008) (incorporated by reference to Exhibit 10.6 to the Registrant s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2008, as filed on November 14, 2008)
10.31	2009 Officer Short-Term Incentive Program (incorporated by reference to Exhibit 10.30 to the Registrant s Annual Report on Form 10-K for the fiscal year ended December 31, 2008, as filed on March 11, 2009)
10.32	2009 Long-Term Incentive Award Program, as amended (incorporated by reference to Exhibit 10.5 to the Registrant s Quarterly Report on Form 10-Q, as filed on August 7, 2009)
10.33	Forms of award agreements under 2009 Long-Term Incentive Award Program (incorporated by reference to Exhibit 10.6 to the Registrant s Quarterly Report on Form 10-Q for the quarterly period ended June 30, 2009, as filed on August 7, 2009)

10.34	Officer Severance Policy, dated August 17, 2009 (incorporated by reference to Exhibit 10.11 to the Registrant s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2009, as filed on November 6, 2009)
10.35	Federal Home Loan Mortgage Corporation Severance Plan (as restated and amended effective January 1, 1997) (incorporated by reference to Exhibit 10.31 to the Registrant s Registration Statement on Form 10 as filed on July 18, 2008)

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Exhibit No.	Description*
10.36	First Amendment to the Federal Home Loan Mortgage Corporation Severance Plan (incorporated by reference to Exhibit 10.32 to the Registrant s Registration Statement on Form 10 as filed on July 18, 2008)
10.37	Federal Home Loan Mortgage Corporation Supplemental Executive Retirement Plan (as amended and restated effective January 1, 2008) (incorporated by reference to Exhibit 10.33 to the Registrant s Registration Statement on Form 10 as filed on July 18, 2008)
10.38	First Amendment to the Federal Home Loan Mortgage Corporation Supplemental Executive Retirement Plan (As Amended and Restated January 1, 2008) (incorporated by reference to Exhibit 10.38 to the Registrant s Annual Report on Form 10-K for the fiscal year ended December 31, 2009, as filed on February 24, 2010)
10.39	Federal Home Loan Mortgage Corporation Long-Term Disability Plan (incorporated by reference to Exhibit 10.34 to the Registrant s Registration Statement on Form 10 as filed on July 18, 2008)
10.40	First Amendment to the Federal Home Loan Mortgage Corporation Long-Term Disability Plan (incorporated by reference to Exhibit 10.35 to the Registrant s Registration Statement on Form 10 as filed on July 18, 2008)
10.41	Second Amendment to the Federal Home Loan Mortgage Corporation Long-Term Disability Plan (incorporated by reference to Exhibit 10.36 to the Registrant s Registration Statement on Form 10 as filed on July 18, 2008)
10.42	FHFA Conservatorship Retention Program, Executive Vice President and Senior Vice President, Parameters Document, September 2008 (incorporated by reference to Exhibit 10.4 to the Registrant s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2008, as filed on November 14, 2008)
10.43	Form of cash retention award for executive officers for awards in September 2008 (incorporated by reference to Exhibit 10.7 to the Registrant s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2008, as filed on November 14, 2008)
10.44	Executive Management Compensation Program (incorporated by reference to Exhibit 10.1 to the Registrant s Current Report on Form 8-K, as filed on December 24, 2009)
10.45	Federal Home Loan Mortgage Corporation Mandatory Executive Deferred Base Salary Plan, Effective as of January 1, 2009 (incorporated by reference to Exhibit 10.45 to the Registrant s Annual Report on Form 10-K for the fiscal year ended December 31, 2009, as filed on February 24, 2010)
10.46	Executive Management Compensation Recapture Policy (incorporated by reference to Exhibit 10.4 to the Registrant s Current Report on Form 8-K, as filed on December 24, 2009)
10.47	Memorandum Agreement, dated July 20, 2009, between Freddie Mac and Charles E. Haldeman, Jr. (incorporated by reference to Exhibit 10.1 to the Registrant s Current Report on Form 8-K, as filed on July 21, 2009)
10.48	Recapture Agreement, dated July 21, 2009, between Freddie Mac and Charles E. Haldeman, Jr. (incorporated by reference to Exhibit 10.2 to the Registrant s Current Report on Form 8-K, as filed on July 21, 2009)
10.49	Restrictive Covenant and Confidentiality Agreement, dated July 21, 2009, between Freddie Mac and Charles E. Haldeman, Jr. (incorporated by reference to Exhibit 10.7 to the Registrant s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2009, as filed on November 6, 2009)
10.50	Memorandum Agreement, dated August 13, 2009, between Freddie Mac and Bruce M. Witherell (incorporated by reference to Exhibit 10.1 to the Registrant s Current Report on Form 8-K, as filed on August 18, 2009)
10.51	

Recapture Agreement, dated August 17, 2009, between Freddie Mac and Bruce M. Witherell (incorporated by reference to Exhibit 10.2 to the Registrant s Current Report on Form 8-K, as filed on August 18, 2009)

Exhibit No.	Description*
10.52	Restrictive Covenant and Confidentiality Agreement, dated August 18, 2009, between Freddie Mac and Bruce M. Witherell (incorporated by reference to Exhibit 10.8 to the Registrant s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2009, as filed on November 6, 2009)
10.53	Memorandum Agreement, dated September 24, 2009, between Freddie Mac and Ross J. Kari (incorporated by reference to Exhibit 10.1 to the Registrant s Current Report on Form 8-K, as filed on September 24, 2009)
10.54	Recapture Agreement, dated September 24, 2009, between Freddie Mac and Ross J. Kari (incorporated by reference to Exhibit 10.2 to the Registrant s Current Report on Form 8-K, as filed on September 24, 2009)
10.55	Restrictive Covenant and Confidentiality Agreement, dated September 24, 2009, between Freddie Mac and Ross J. Kari (incorporated by reference to Exhibit 10.9 to the Registrant s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2009, as filed on November 6, 2009)
10.56	Letter Agreement with Michael Perlman, dated July 24, 2007 (incorporated by reference to Exhibit 10.54 to the Registrant s Registration Statement on Form 10 as filed on July 18, 2008)
10.57	Cash Sign-On Payment Letter Agreement with Michael Perlman, dated July 24, 2007 (incorporated by reference to Exhibit 10.55 to the Registrant s Registration Statement on Form 10 as filed on July 18, 2008)
10.58	Restrictive Covenant and Confidentiality Agreement with Michael Perlman, effective as of July 25, 2007 (incorporated by reference to Exhibit 10.56 to the Registrant s Registration Statement on Form 10 as filed on July 18, 2008)
10.59	Restrictive Covenant and Confidentiality Agreement with Michael May, effective as of March 14, 2001 (incorporated by reference to Exhibit 10.57 to the Registrant s Registration Statement on Form 10 as filed on July 18, 2008)
10.60	Letter Agreement dated July 28, 2005 between Freddie Mac and Paul G. George (incorporated by reference to Exhibit 10.69 to Amendment No. 1 to the Registrant s Annual Report on Form 10-K/A, as filed on April 30, 2009)
10.61	Letter Agreement dated January 24, 2006 between Freddie Mac and Robert E. Bostrom (incorporated by reference to Exhibit 10.71 to Amendment No. 1 to the Registrant s Annual Report on Form 10-K/A, as filed on April 30, 2009)
10.62	Form of Restrictive Covenant and Confidentiality Agreement between Freddie Mac and each of Paul G. George and Robert E. Bostrom (incorporated by reference to Exhibit 10.10 to the Registrant s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2009, as filed on November 6, 2009)
10.63	Description of non-employee director compensation (incorporated by reference to Exhibit 10.1 to the Registrant s Current Report on Form 8-K as filed on December 23, 2008)
10.64	PC Master Trust Agreement dated September 25, 2009 (incorporated by reference to Exhibit 10.12 to the Registrant s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2009, as filed on November 6, 2009)
10.65	Form of Indemnification Agreement between the Federal Home Loan Mortgage Corporation and executive officers and outside Directors (incorporated by reference to Exhibit 10.2 to the Registrant s Current Report on Form 8-K as filed on December 23, 2008)
10.66	Office Lease between West*Mac Associates Limited Partnership and the Federal Home Loan Mortgage Corporation, dated December 22, 1986 (incorporated by reference to Exhibit 10.61 to the Registrant s Registration Statement on Form 10 as filed on July 18, 2008)
10.67	

	First Amendment to Office Lease, dated December 15, 1990 (incorporated by reference to Exhibit 10.62 to the Registrant s Registration Statement on Form 10 as filed on July 18, 2008)
10.68	Second Amendment to Office Lease, dated August 30, 1992 (incorporated by reference to Exhibit 10.63 to the Registrant s Registration Statement on Form 10 as filed on July 18, 2008)

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Exhibit No.	Description*
10.69	Third Amendment to Office Lease, dated December 20, 1995 (incorporated by reference to Exhibit 10.64 to the Registrant s Registration Statement on Form 10 as filed on July 18, 2008)
10.70	Consent of Defendant Federal Home Loan Mortgage Corporation with the Securities and Exchange Commission, dated September 18, 2007 (incorporated by reference to Exhibit 10.65 to the Registrant s Registration Statement on Form 10 as filed on July 18, 2008)
10.71	Letters, dated September 1, 2005, setting forth an agreement between Freddie Mac and FHFA (incorporated by reference to Exhibit 10.67 to the Registrant s Registration Statement on Form 10 as filed on July 18, 2008)
10.72	Amended and Restated Senior Preferred Stock Purchase Agreement dated as of September 26, 2008, between the United States Department of the Treasury and Federal Home Loan Mortgage Corporation, acting through the Federal Housing Finance Agency as its duly appointed Conservator (incorporated by reference to Exhibit 10.1 to the Registrant s Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2008, as filed on November 14, 2008)
10.73	Amendment to Amended and Restated Senior Preferred Stock Purchase Agreement, dated as of May 6, 2009, between the United States Department of the Treasury and Federal Home Loan Mortgage Corporation, acting through the Federal Housing Finance Agency as its duly appointed Conservator (incorporated by reference to Exhibit 10.6 to the Registrant s Quarterly Report on Form 10-Q for the period ended March 31, 2009, as filed on May 12, 2009)
10.74	Second Amendment dated as of December 24, 2009, to the Amended and Restated Senior Preferred Stock Purchase Agreement dated as of September 26, 2008, between the United States Department of the Treasury and Federal Home Loan Mortgage Corporation, acting through the Federal Housing Finance Agency as its duly appointed Conservator (incorporated by reference to Exhibit 10.1 to the Registrant s Current Report on Form 8-K, as filed on December 29, 2009)
10.75	Warrant to Purchase Common Stock, dated September 7, 2008 (incorporated by reference to Exhibit 10.2 to the Registrant s Current Report on Form 8-K as filed on September 11, 2008)
10.76	United States Department of the Treasury Lending Agreement dated September 18, 2008 (incorporated by reference to Exhibit 10.1 to the Registrant s Current Report on Form 8-K as filed on September 23, 2008)
10.77	Memorandum of Understanding Among the Department of the Treasury, the Federal Housing Finance Agency, the Federal National Mortgage Association, and the Federal Home Loan Mortgage Corporation, dated October 19, 2009 (incorporated by reference to Exhibit 10.1 to the Registrant s Current Report on Form 8-K, as filed on October 23, 2009)
10.78	New Issue Bond Program Agreement, dated December 9, 2009, among the United States Department of the Treasury, the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation (incorporated by reference to Exhibit 10.78 to the Registrant s Annual Report on Form 10-K for the fiscal year ended December 31, 2009, as filed on February 24, 2010)
10.79	Form of Placement Agreement, dated as of December 9, 2009, among the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, and the HFA identified on Schedule A (incorporated by reference to Exhibit 10.79 to the Registrant s Annual Report on Form 10-K for the fiscal year ended December 31, 2009, as filed on February 24, 2010)
10.80	Form of Settlement Agreement, dated as of December 9, 2009, among the Federal National Mortgage Association, the Federal Home Loan Mortgage Corporation, the U.S. Department of the Treasury, the HFA identified on the signature page and U.S. Bank National Association (incorporated by reference to Exhibit 10.80 to the Registrant s Annual Report on Form 10-K for the fiscal year ended December 31, 2009, as filed on February 24, 2010)
10.81	

New Issue Bond Program Agreement, dated December 18, 2009, among the United States Department of the Treasury, the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation (incorporated by reference to Exhibit 10.81 to the Registrant s Annual Report on Form 10-K for the fiscal year ended December 31, 2009, as filed on February 24, 2010)

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Exhibit No.	Description*
10.82	Form of the Standby Irrevocable Temporary Credit and Liquidity Facility by Fannie Mae and Federal Home Loan Mortgage Corporation (incorporated by reference to Exhibit 10.82 to the Registrant s Annual Report on Form 10-K for the fiscal year ended December 31, 2009, as filed on February 24, 2010)
10.83	Form of the Agreement to Purchase Participation among the United States Department of the Treasury, Fannie Mae and the Federal Home Loan Mortgage Corporation (incorporated by reference to Exhibit 10.83 to the Registrant s Annual Report on Form 10-K for the fiscal year ended December 31, 2009, as filed on February 24, 2010)
10.84	Form of the Reimbursement Agreement among [HFA], [Trustee], Fannie Mae and the Federal Home Loan Mortgage Corporation (incorporated by reference to Exhibit 10.84 to the Registrant s Annual Report on Form 10-K for the fiscal year ended December 31, 2009, as filed on February 24, 2010)
10.85	Amended and Restated Administration Agreement, dated as of January 22, 2010, among the Federal National Mortgage Association and the Federal Home Loan Mortgage Corporation and U.S. Bank National Association (incorporated by reference to Exhibit 10.85 to the Registrant s Annual Report on Form 10-K for the fiscal year ended December 31, 2009, as filed on February 24, 2010)
12.1	Statement re: computation of ratio of earnings to fixed charges and computation of ratio of earnings to combined fixed charges and preferred stock dividends (incorporated by reference to Exhibit 12.1 to the Registrant s Annual Report on Form 10-K for the fiscal year ended December 31, 2009, as filed on February 24, 2010)
21	List of subsidiaries (incorporated by reference to Exhibit 21 to the Registrant s Registration Statement on Form 10 as filed on July 18, 2008)
24	Powers of Attorney (incorporated by reference to Exhibit 24 to the Registrant s Annual Report on Form 10-K for the fiscal year ended December 31, 2009, as filed on February 24, 2010)
31.1	Certification of Chief Executive Officer pursuant to Securities Exchange Act Rule 13a-14(a) (incorporated by reference to Exhibit 31.1 to the Registrant s Annual Report on Form 10-K for the fiscal year ended December 31, 2009, as filed on February 24, 2010)
31.2	Certification of Executive Vice President Chief Financial Officer pursuant to Securities Exchange Act Rule 13a-14(a) (incorporated by reference to Exhibit 31.2 to the Registrant s Annual Report on Form 10-K for the fiscal year ended December 31, 2009, as filed on February 24, 2010)
31.3	Certification of Chief Executive Officer pursuant to Securities Exchange Act Rule 13a-14(a) (incorporated by reference to Exhibit 31.3 to Amendment No. 1 to the Registrant s Annual Report on Form 10-K/A for the fiscal year ended December 31, 2009, as filed on March 4, 2010)
31.4	Certification of Executive Vice President Chief Financial Officer pursuant to Securities Exchange Act Rule 13a-14(a) (incorporated by reference to Exhibit 31.4 to Amendment No. 1 to the Registrant s Annual Report on Form 10-K/A for the fiscal year ended December 31, 2009, as filed on March 4, 2010)
31.5	Certification of Chief Executive Officer pursuant to Securities Exchange Act Rule 13a-14(a) with respect to this Amendment No. 2
31.6	Certification of Chief Financial Officer pursuant to Securities Exchange Act Rule 13a-14(a) with respect to this Amendment No. 2
32.1	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 (incorporated by reference to Exhibit 32.1 to the Registrant s Annual Report on Form 10-K for the fiscal year ended December 31, 2009, as filed on February 24, 2010)
32.2	Certification of Executive Vice President Chief Financial Officer pursuant to 18 U.S.C. Section 1350 (incorporated by reference to Exhibit 32.2 to the Registrant s Annual Report on Form 10-K for the fiscal year ended December 31, 2009, as filed on February 24, 2010)

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Exhibit No.	Description*
32.3	Certification of Chief Executive Officer pursuant to 18 U.S.C. Section 1350 (incorporated by reference to Exhibit 32.3 to Amendment No. 1 to the Registrant s Annual Report on Form 10-K/A for the fiscal year ended December 31, 2009, as filed on March 4, 2010)
32.4	Certification of Executive Vice President Chief Financial Officer pursuant to 18 U.S.C. Section 1350 (incorporated by reference to Exhibit 32.4 to Amendment No. 1 to the Registrant s Annual Report on Form 10-K/A for the fiscal year ended December 31, 2009, as filed on March 4, 2010)

* The SEC file number for the Registrant s Registration Statement on Form 10, Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q and Current Reports on Form 8-K is 000-53330.

This exhibit is a management contract or compensatory plan or arrangement.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Federal Home Loan Mortgage Corporation

Date: April 12, 2010

/s/ Charles E. Haldeman, Jr.

Charles E. Haldeman, Jr.
Chief Executive Officer

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Restricted cash	
	34,565
	34,565
	41,927
	41,927
Linked Transactions	
	103,855
	103,855

	179,915
	179,915
Swaps	
	2,862
	2,862
Securities held as collateral	
	17,658
	17,658
Financial Liabilities:	

Repurchase agreements	7,652,713	7,654,591	5,992,269	5,993,769
Securitized debt	663,367	663,865	220,933	221,209
Swaps				

	116,333
	116,333
	139,142
	139,142
Obligations to return securities held as collateral	
	17,658
	17,658

In addition to the methodologies used to determine the fair value of the Company s financial assets and liabilities reported at fair value, as previously described, the following methods and assumptions were used by the Company in arriving at the fair value of the Company s other financial instruments presented in the above table:

Cash and Cash Equivalents and Restricted Cash: Cash and cash equivalents and restricted cash are comprised of cash held in overnight money market investments and demand deposit accounts. At March 31, 2011 and December 31, 2010, the Company s money market funds were invested in securities issued by the U.S. Government, or its agencies, instrumentalities, and sponsored entities, and repurchase agreements involving the securities described above. Given the overnight term and assessed credit risk, the Company s investments in money market funds are determined to have a fair value equal to their carrying value.

Repurchase Agreements: The fair value of repurchase agreements reflects the present value of the contractual cash flows discounted at the estimated LIBOR based market interest rates at the valuation date for repurchase agreements with a term equivalent to the remaining term to interest rate repricing, which may be at maturity, of the Company s repurchase agreements.

MBS Purchase Commitments: MBS committed to be purchased at March 31, 2011 would have been offered by third parties at substantially the same price and under substantially the same terms as those committed to by the Company. Accordingly, the fair value of the Company s MBS purchase commitment at March 31, 2011 was zero. The Company did not have any commitments to purchase MBS or enter into any other financial instrument at December 31, 2010.

14. Use of Special Purpose Entities and Variable Interest Entities

SPEs are entities designed to fulfill a specific limited need of the company that organized it. SPEs are often used to facilitate transactions that involve securitizing financial assets or resecuritizing previously securitized financial assets. The objective of such transactions may include obtaining non-recourse financing, obtaining liquidity or refinancing the underlying securitized financial assets on improved terms. Securitization involves transferring assets to a SPE to convert all or a portion of those assets into cash before they would have been realized in the normal course of business, through the SPE s issuance of debt or equity instruments. Investors in an SPE usually have recourse only to the assets in the SPE and depending on the overall structure of the transaction, may benefit from various forms of credit enhancement, such as over-collateralization in the form of excess assets in the SPE, priority with respect to receipt of cash flows relative to holders of other debt or equity instruments issued by the SPE, or a line of credit or other form of liquidity agreement that is designed with the objective of ensuring that investors receive principal and/or interest cash flow on the investment in accordance with the terms of their investment agreement.

MFA FINANCIAL, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2011

Resecuritization transactions

In October 2010 and February 2011, the Company entered into resecuritization transactions that resulted in the Company consolidating the VIEs that were created to facilitate the transactions and to which the underlying assets in connection with the resecuritizations were transferred. See Note 2(o) for a discussion of the accounting policies applied to the consolidation of VIEs and transfers of financial assets in connection with resecuritization transactions.

As part of the February 2011 resecuritization transaction, the Company sold an aggregate of $1.320 billion in principal value Non-Agency MBS to Credit Suisse First Boston Mortgage Securities Corp. (CSMC), who subsequently transferred the underlying certificates to CSMC Series 2011-1R, a Delaware statutory trust, which the Company consolidates as a VIE. In connection with this transaction, third-party investors purchased $488.4 million face amount of variable rate, super senior bonds (the Senior Bonds) rated AAA by DBRS, Inc. issued by the VIE at a pass-through rate of one-month LIBOR plus 100 basis points. In connection with this transaction, the Company acquired $831.6 million face amount of three classes of non-rated senior-support certificates issued by this trust, which together provide credit support to the Senior Bonds, and received $488.4 million in cash. The Company also acquired $488.4 million notional amount of non-rated, variable rate interest only senior certificates issued by this trust.

As part of the October 2010 resecuritization transaction, the Company sold an aggregate of $985.2 million in principal value Non-Agency MBS to Deutsche Bank Securities, Inc., who subsequently transferred the Non-Agency MBS to Deutsche Mortgage Securities, Inc. Real Estate Mortgage Investment Conduit Trust, Series 2010-RS2, a Delaware statutory trust, which the Company consolidates as a VIE. In connection with this transaction, third-party investors purchased $246.3 million face amount of variable rate, sequential senior Non-Agency MBS rated AAA by S&P issued by the VIE at a pass-through rate of one-month LIBOR plus 125 basis points and the Company acquired $374.4 million face amount of six classes of mezzanine Non-Agency MBS with S&P ratings ranging from AAA to B and $364.5 million face amount of non-rated subordinate Non-Agency MBS issued by the VIE, which together provide credit support to the Senior Bonds and received $246.3 million in cash. In connection with this transaction the Company also acquired $246.3 million notional amount of non-rated variable rate, interest only senior certificates issued by the VIE.

The Company engaged in these transactions primarily for the purpose of obtaining non-recourse financing on a portion of its Non-Agency MBS portfolio, as well as refinancing a portion of its Non-Agency MBS portfolio on improved terms. As a result of engaging in these transactions, the risks facing the Company are largely unchanged as the Company remains economically exposed to the first loss position on the underlying MBS transferred to the VIEs.

The activities that can be performed by an entity created to facilitate a resecuritization transaction are predominantly specified in the entity s formation documents. Those documents either do not permit the entity, any beneficial interest holder in the entity, or any other party associated with the entity to cause the entity to sell or replace the assets held by the entity, or limit such ability to specific events of default.

The Company concluded that the entities created to facilitate these transactions are VIEs. The Company then completed an analysis of whether each VIE created to facilitate the resecuritization transaction should be consolidated by the Company, based on consideration of its involvement in each VIE, including the design and purpose of the SPE, and whether its involvement reflected a controlling financial interest that resulted in the Company being deemed the primary beneficiary of each VIE. In determining whether the Company would be considered the primary beneficiary, the following factors were assessed:

- Whether the Company has both the power to direct the activities that most significantly impact the economic performance of the VIE; and

- Whether the Company has a right to receive benefits or absorb losses of the entity that could be potentially significant to the VIE.

Based on its evaluation of the factors discussed above, including its involvement in the purpose and design of the entity, the Company determined that it was required to consolidate each VIE created to facilitate these securitization transactions.

As of March 31, 2011, the fair value of the Non-Agency MBS that were resecuritized through the Company is $1.739 billion. These assets are included in the Company s consolidated balance sheet and disclosed as Non-Agency MBS transferred to consolidated VIEs . As of March 31, 2011, the outstanding balance of Senior Bonds issued by consolidated VIEs was $663.4 million. These Senior Bonds are included in the Company s consolidated

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MFA FINANCIAL, INC.

NOTES TO THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS

MARCH 31, 2011

Balance Sheet and disclosed as Securitized Debt . The holders of the Senior Bonds have no recourse to the general credit of the Company, but the Company does have the obligation, under certain circumstances to repurchase assets from the VIE upon the breach of certain representations and warranties. In the absence of such a breach, the Company has no obligation to provide any other explicit or implicit support to any VIE.

Prior to the completion of the resecuritization transaction in 2010, the Company had not transferred assets to VIEs or QSPEs and other than acquiring MBS issued by such entities, had no other involvement with VIEs or QSPEs.

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Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations

In this quarterly report on Form 10-Q, we refer to MFA Financial, Inc. and its subsidiaries as we, us, or our, unless we specifically state otherwise or the context otherwise indicates.

The following discussion should be read in conjunction with our financial statements and accompanying notes included in Item 1 of this quarterly report on Form 10-Q as well as our annual report on Form 10-K for the year ended December 31, 2010.

Forward Looking Statements

When used in this quarterly report on Form 10-Q, in future filings with the SEC or in press releases or other written or oral communications, statements which are not historical in nature, including those containing words such as believe, expect, anticipate, estimate, plan, continue, intend, should, may or similar expressions, are intended to identify forward-looking statements within the meaning of Section 27A of the 1933 Act and Section 21E of the Securities Exchange Act of 1934, as amended (or the 1934 Act), and, as such, may involve known and unknown risks, uncertainties and assumptions.

Statements regarding the following subjects, among others, may be forward-looking: changes in interest rates and the market value of our MBS; changes in the prepayment rates on the mortgage loans securing our MBS; our ability to borrow to finance our assets; implementation of or changes in government regulations or programs affecting our business; our ability to maintain our qualification as a REIT for federal income tax purposes; our ability to maintain our exemption from registration under the Investment Company Act of 1940, as amended (or the Investment Company Act); and risks associated with investing in real estate assets, including changes in business conditions and the general economy. These and other risks, uncertainties and factors, including those described in the annual, quarterly and current reports that we file with the SEC, could cause our actual results to differ materially from those projected in any forward-looking statements we make. All forward-looking statements speak only as of the date they are made. New risks and uncertainties arise over time and it is not possible to predict those events or how they may affect us. Except as required by law, we are not obligated to, and do not intend to, update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Business/General

We are a REIT primarily engaged in the business of investing, on a leveraged basis, in residential Agency MBS and Non-Agency MBS. Our principal business objective is to generate net income for distribution to our stockholders resulting from the difference between the interest and other income we earn on our investments and the interest expense we pay on the borrowings that we use to finance our leveraged investments and our operating costs.

At March 31, 2011, we had total assets of approximately $11.436 billion, of which $10.576 billion, or 92.5%, represented our MBS portfolio. At such date, our MBS portfolio was comprised of $7.375 billion of Agency MBS and $3.202 billion of Non-Agency MBS, substantially all of which represented the senior-most tranches within the MBS structure. Included in our total assets were Linked Transactions of $103.9 million,

which were comprised of $408.3 million of Non-Agency MBS and associated accrued interest receivable and $304.4 million of borrowings under linked repurchase agreements and associated accrued interest payable. Our remaining investment-related assets were primarily comprised of cash and cash equivalents, restricted cash and MBS-related receivables.

The results of our business operations are affected by a number of factors, many of which are beyond our control, and primarily depend on, among other things, the level of our net interest income, the market value of our assets, the supply and demand for MBS in the market place, the terms and availability of adequate financing, and the credit performance of our Non-Agency MBS. Our net interest income varies primarily as a result of changes in interest rates, the slope of the yield curve (i.e., the differential between long-term and short-term interest rates), borrowing costs (i.e., our interest expense) and prepayment speeds on our MBS, the behavior of which involves various risks and uncertainties. Interest rates and prepayment speeds, as measured by conditional prepayment rates (or CPRs), vary according to the type of investment, conditions in the financial markets, competition and other factors, none of which can be predicted with any certainty.

With respect to our business operations, increases in interest rates, in general, may over time cause: (i) the interest expense associated with our borrowings to increase; (ii) the value of our MBS portfolio and, correspondingly, our stockholders equity to decline; (iii) coupons on our ARM-MBS to reset, on a delayed basis, to higher interest rates; (iv) prepayments on our MBS to decline, thereby slowing the amortization of our MBS purchase premiums and the accretion of our purchase discounts; and (v) the value of our Swaps and,

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correspondingly, our stockholders equity to increase. Conversely, decreases in interest rates, in general, may over time cause: (i) the interest expense associated with our borrowings to decrease; (ii) the value of our MBS portfolio and, correspondingly, our stockholders equity to increase; (iii) coupons on our ARM-MBS to reset, on a delayed basis, to lower interest rates; (iv) prepayments on our MBS to increase, thereby accelerating the amortization of our MBS purchase premiums and the accretion of our purchase discounts; and (v) the value of our Swaps and, correspondingly, our stockholders equity to decrease. In addition, our borrowing costs and credit lines are further affected by the type of collateral we pledge and general conditions in the credit market.

The table below presents the composition of our MBS portfolio with respect to repricing characteristics as of March 31, 2011:

	March 31, 2011			
(In Thousands)	**Agency MBS Fair Value (1)**	**Non-Agency MBS Fair Value (2)**	**Total MBS (1)**	**Percent of Total**
Hybrids in contractual fixed-rate period	$ 4,841,004	$ 1,577,664	$ 6,418,668	60.75%
Hybrids in adjustable period	645,267	728,914	1,374,181	13.00
15-year fixed rate	1,709,780	43	1,709,823	16.18
Greater than 15-year to 25-year fixed rate		2,413	2,413	0.02
30-year to 40-year fixed rate		791,669	791,669	7.49
Floaters	169,727	101,137	270,864	2.56
Total	$ 7,365,778	$ 3,201,840	$ 10,567,618	100.00%

(1) Does not include principal receivable in the amount of $8.7 million.

(2) Does not reflect $406.4 million Non-Agency MBS underlying our Linked Transactions.

We are exposed to credit risk in our Non-Agency MBS portfolio; however, the credit support built into Non-Agency MBS transaction structures is designed to mitigate the risk of credit losses. In addition, we believe the discounted purchase prices paid on certain of our Non-Agency MBS provide further protection from potential credit losses in the event we receive less than 100% of the par value of these securities. Our Non-Agency MBS investment process involves comprehensive analysis focused primarily on quantifying and pricing credit risk. Interest income is recorded on our Non-Agency MBS at an effective yield, based on management s estimate of expected cash flows from each security, which estimate is based on our observation of current information and events and include assumptions related to fluctuations in interest rates, prepayment speeds and the timing and amount of credit losses.

When we purchase Non-Agency MBS, we make certain assumptions with respect to each security. These assumptions include, but are not limited to, future interest rates, voluntary prepayment rates, default rates, mortgage modifications and loss severities. As part of our Non-Agency MBS surveillance process, we track and compare each security s actual performance over time to the performance expected at the time of purchase or, if we have modified our original purchase assumptions, to our revised performance expectations. To the extent that actual performance of our Non-Agency MBS deviates materially from our expected performance parameters, we may revise our performance expectations, such that the amount of purchase discount designated as credit discount may be increased or decreased over time. Nevertheless, credit losses greater than those anticipated or in excess of our purchase discount could occur, adversely impacting our operating results.

As of March 31, 2011, approximately $8.923 billion, or 84.4%, of our MBS portfolio was in its contractual fixed-rate period or were fixed-rate MBS and approximately $1.374 billion, or 13.0%, was in its contractual adjustable-rate period. Our ARM-MBS in their contractual adjustable-rate period primarily include MBS collateralized by Hybrids for which the initial fixed-rate period has elapsed, such that the interest rate will typically adjust on an annual or semiannual basis. In addition, at March 31, 2011, we had $270.9 million of MBS with interest rates that reset monthly.

Premiums arise when we acquire MBS at a price in excess of the principal balance of the mortgages securing such MBS (i.e., par value). Conversely, discounts arise when we acquire MBS at a price below the principal balance of the mortgages securing such MBS. Premiums paid on our MBS are amortized against interest income and accretable purchase discounts on our MBS are accreted to interest income. Purchase premiums on our MBS, which are primarily carried on our Agency MBS, are amortized against interest income over the life of each security using the effective yield method, adjusted for actual prepayment activity. An increase in the prepayment rate, as measured by the CPR, will typically accelerate the amortization of purchase premiums, thereby reducing the yield/interest income earned on such assets. Generally, if prepayments on our Non-Agency MBS are less than

anticipated, we expect that the income recognized on such assets would be reduced and impairments could result.

CPR levels are impacted by conditions in the housing market, new regulations, government and private sector initiatives, interest rates, availability of credit to home borrowers, underwriting standards and the economy in general. In particular, CPR reflects the conditional repayment rates (or CRR), which measures voluntary prepayments of mortgages collateralizing a particular MBS, and the conditional default rates (or CDR), which measures involuntary prepayments resulting from defaults. CPRs on Agency MBS and Non-Agency MBS may differ significantly. For the three months ended March 31, 2011, our Agency MBS portfolio experienced a weighted average CPR of 21.0%, and our Non-Agency MBS portfolio (including Non-Agency MBS underlying our Linked Transactions) experienced a CPR of 15.6%. Over the last consecutive eight quarters, ending with March 31, 2011, the monthly fair value weighted average CPR on our MBS portfolio ranged from a low of 15.2% to a high of 37.9%, with an average quarterly CPR of 21.9%.

It is our business strategy to hold our MBS as long-term investments. On at least a quarterly basis, we assess our ability and intent to continue to hold each security and, as part of this process, we monitor our securities for other-than-temporary impairment. A change in our ability and/or intent to continue to hold any of our securities that are in an unrealized loss position, or a deterioration in the underlying characteristics of these securities, could result in our recognizing future impairment charges or a loss upon the sale of any such security. At March 31, 2011, we had net unrealized gains of $153.9 million on our Agency MBS, comprised of gross unrealized gains of $163.7 million and gross unrealized losses of $9.8 million, and had net unrealized gains on our Non-Agency MBS of $249.3 million, comprised of gross unrealized gains of $275.2 million and gross unrealized losses of $25.8 million. At March 31, 2011, we did not intend to sell any of our MBS that were in an unrealized loss position, and it is more likely than not that we will not be required to sell those MBS before recovery of their amortized cost basis, which may be at their maturity.

We rely primarily on borrowings under repurchase agreements to finance the acquisition of Agency MBS and Non-Agency MBS. Our MBS have longer-term contractual maturities than our borrowings under repurchase agreements. We have also engaged in resecuritization transactions with respect to our Non-Agency MBS, which provide access to non-recourse financing. Even though most of our MBS have interest rates that adjust over time based on short-term changes in corresponding interest rate indices (typically following an initial fixed-rate period for our Hybrids), the interest rates we pay on our borrowings and securitized debt will typically change at a faster pace than the interest rates we earn on our MBS. In order to reduce this interest rate risk exposure, we may enter into hedging transactions, which in recent years have been comprised entirely of Swaps. Our Swaps are designated as cash-flow hedges against a portion of our current and forecasted LIBOR-based repurchase agreements. While our Swaps do not extend the maturities of our repurchase agreements, they do however lock in a fixed rate of interest over their term for the notional amount of the Swap corresponding to the hedged repurchase agreements. During the three months ended March 31, 2011, we entered into Swaps with a notional amount of $430.0 million and had Swaps with an aggregate notional amount of $215.9 million expire. At March 31, 2011, we had Swaps with an aggregate notional amount of $3.020 billion. (See Note 4 to the consolidated financial statements included under Item 1 of this quarterly report on Form 10-Q.)

Recent Market Conditions and Our Strategy

During the first quarter of 2011, we grew our Non-Agency MBS and Agency MBS portfolio at an accelerated pace utilizing cash generated in our February resecuritization and March 2011 equity raise. In February 2011, we engaged in our second resecuritization transaction, which, similar to our initial resecuritization transaction completed in October 2010, financed a portion of our Non-Agency portfolio with non-recourse debt at competitive rates. In March 2011, we completed a public offering of common stock, which generated net proceeds of $605.0 million, after expenses. We are primarily using the proceeds from this equity transaction to invest in Non-Agency MBS and Agency MBS, consistent with our investment policies, as reflected in the growth of our MBS portfolio since December 31, 2010.

We acquired approximately $1.844 billion of Agency MBS during the three months ended March 31, 2011, including approximately $1.076 billion of 15-year fixed-rate amortizing MBS, which offered attractive yields relative to Agency hybrid MBS. We expect that the majority of our assets will remain in Agency MBS due to our belief in the long-term attractiveness of the asset class.

In the first three months of 2011, we continued to grow our Non-Agency MBS portfolio, purchasing approximately $855.3 million of such securities (including $103.8 million of MBS, which are reported as a

component of Linked Transactions) at a weighted average purchase price of 84.0% of par value. Our ability to leverage Non-Agency MBS using borrowings under repurchase agreements has increased in recent periods. In addition, our recent resecuritization transactions have allowed us to increase our access to borrowings, in the form of securitized debt associated with our Non-Agency MBS.

While Non-Agency MBS remain available in the marketplace at discounts to par value, such discounts have narrowed relative to discounts previously available. Despite higher market prices and lower yields, we believe that loss-adjusted returns on Non-Agency MBS continue to represent attractive investment opportunities, particularly given the ability to borrow against such securities. The yields on our Non-Agency MBS that were purchased at a discount are generally positively impacted if prepayment rates on these securities exceed our prepayment assumptions. In addition, we continue to selectively find relative value in the Agency MBS market particularly in Hybrids and 15-year fixed-rate products due, in part, to steep U.S. Treasury and LIBOR yield curves and historically low interest rates on borrowings under repurchase agreements.

The performance of certain of our Non-Agency MBS has exceeded our performance expectations while others have fallen below expectations. As a result, during the first quarter of 2011, we reallocated a net of $5.0 million of purchase discount on our Non-Agency MBS, including $1.2 million on securities underlying our Linked Transactions, to accretable purchase discount from Credit Reserve. Together with coupon interest, accretable discount is recognized as interest income over the life of the asset. This $5.0 million will be recorded as additional income over the life of the related Non-Agency MBS provided that such Non-Agency MBS continue to perform as expected.

During the three months ended March 31, 2011, our Non-Agency MBS portfolio earned $49.6 million and had associated borrowing costs of $6.3 million related to our borrowings under repurchase agreements and our securitized debt. In addition, we had unrealized net gains and net interest income from Linked Transactions of $14.9 million, comprised of interest income of $9.4 million and an increase of $7.2 million in the fair value of the underlying MBS, offset by interest expense of $1.8 million on the underlying repurchase agreement borrowings. At March 31, 2011, $3.202 billion, or 30.3% of our MBS portfolio, was invested in Non-Agency MBS. In addition, we had $406.4 million of Non-Agency MBS that were reported as a component of our Linked Transactions. With $629.4 million of cash and cash equivalents and $504.2 million of unpledged Agency MBS at March 31, 2011, we believe that we are positioned to continue to take advantage of investment opportunities within the residential MBS marketplace.

The financial environment continues to be favorably impacted by accommodative monetary policy. Repurchase agreement funding for both Agency MBS and Non-Agency MBS continues to be available to us at attractive market rates and terms from multiple counterparties. Typically, repurchase agreement funding involving Non-Agency MBS is available from fewer counterparties, at terms requiring higher collateralization and higher interest rates, than for repurchase agreement funding involving Agency MBS. At March 31, 2011, we had borrowings under repurchase agreements with 24 counterparties and securitized debt resulting in a debt-to-equity multiple of 2.9 times. (See table on page 42 that presents our quarterly leverage multiples since March 31, 2010.)

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The table below presents certain information about our asset allocation at March 31, 2011:

ASSET ALLOCATION

At March 31, 2011 (Dollars in Thousands)	Agency MBS	Non-Agency MBS (1)	Cash (2)	Other, net (3)	Total
Amortized Cost	$ 7,220,646	$ 3,350,750	$ 663,988	$ (24,648)	$ 11,210,736
Market Value	$ 7,374,510	$ 3,608,233	$ 663,988	$ (24,648)	$ 11,622,083
Less Repurchase Agreement Borrowings	(6,382,615)	(1,574,226)			(7,956,841)
Less Securitized Debt		(663,367)			(663,367)
Equity Allocated	$ 991,895	$ 1,370,640	$ 663,988	$ (24,648)	$ 3,001,875
Less Swaps at Market Value				(113,471)	(113,471)
Net Equity Allocated	$ 991,895	$ 1,370,640	$ 663,988	$ (138,119)	$ 2,888,404
Debt/Net Equity Ratio *(4)*	6.4x	1.6x			3.0x

(1) Includes Non-Agency MBS and repurchase agreements underlying Linked Transactions. The purchase of a Non-Agency MBS and repurchase borrowing of the MBS with the same counterparty are accounted for under GAAP as a linked transaction. The two components of a linked transaction (MBS and associated borrowings under a repurchase agreement) are evaluated on a combined basis and reported net as Linked Transactions on our consolidated balance sheets.

(2) Includes cash, cash equivalents and restricted cash.

(3) Includes interest receivable, real estate held-for-sale, securities held as collateral, goodwill, prepaid and other assets, interest payable, Swaps at fair value, obligations to return securities held as collateral, dividends payable and accrued expenses and other liabilities.

(4) Represents borrowings under repurchase agreements and securitized debt as a multiple of net equity allocated.

The following table presents information with respect to our Non-Agency MBS: (i) excluding Linked Transactions and reported in accordance with GAAP; (ii) underlying our Linked Transactions and reflected consistent with GAAP reporting requirements; and (iii) on a combined basis as of March 31, 2011 and December 31, 2010:

(In Thousands)	March 31, 2011	December 31, 2010
(i) Non-Agency MBS (excluding Linked Transactions)		
Face/Par	$ 4,111,051	$ 2,821,489
Fair Value	3,201,840	2,078,087
Amortized Cost	2,952,519	1,846,872
Purchase (Discount) Designated as Credit Reserve and OTTI Charged through Earnings	(945,853)*(1)*	(746,678)*(2)*
Purchase (Discount) Designated as Accretable	(213,925)	(228,966)
Purchase Premiums	1,246	1,027
(ii) Non-Agency MBS Underlying Linked Transactions		
Face/Par	$ 482,486	$ 863,280
Fair Value	406,393	744,369

Amortized Cost		398,231		718,734
Purchase (Discount) Designated as Credit Reserve		(69,305)		(99,094)
Purchase (Discount) Designated as Accretable		(14,950)		(45,756)
Purchase Premiums				304
(iii) Combined Non-Agency MBS and MBS Underlying Linked Transactions				
Face/Par	$	4,593,537	$	3,684,769
Fair Value		3,608,233		2,822,456
Amortized Cost		3,350,750		2,565,606
Purchase (Discount) Designated as Credit Reserve and OTTI Charged through Earnings		(1,015,158)*(3)*		(845,772)*(4)*
Purchase (Discount) Designated as Accretable		(228,875)		(274,722)
Purchase Premiums		1,246		1,331

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(1) Includes discount designated as Credit Reserve of $899.9 million and OTTI of $46.0 million at March 31, 2011.

(2) Includes discount designated as Credit Reserve of $700.3 million and OTTI of $46.4 million at December 31, 2010.

(3) Includes discount designated as Credit Reserve of $969.2 million and OTTI of $46.0 million at March 31, 2011.

(4) Includes discount designated as Credit Reserve of $799.4 million and OTTI of $46.4 million at December 31, 2010.

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Purchase Discounts on Non-Agency MBS and Securities Underlying Linked Transactions

The following table presents the changes in the components of purchase discount on Non-Agency MBS with respect to purchase discount designated as Credit Reserve and accretable purchase discount, including securities underlying Linked Transactions, for the three months ended March 31, 2011 and March 31, 2010.

	Three Months Ended March 31, 2011		Three Months Ended March 31, 2010	
(In Thousands)	**Discount Designated as Credit Reserve**	**Accretable Discount**	**Discount Designated as Credit Reserve**	**Accretable Discount**
Balance at beginning of period	$ (799,422)	$ (274,722)	$ (488,259)	$ (171,932)
Accretion of discount, net		11,918		10,679
Realized credit losses	2,976		48	
Purchases	(177,740)	14,280	(114,479)	(7,947)
Sales			7,856	683
Unlinking of Linked Transactions		24,629		157
Transfers from/(to)	4,980	(4,980)	1,943	(1,943)
Balance at end of period	$ (969,206)	$ (228,875)	$ (592,891)	$ (170,303)

The following table presents information with respect to the yield components of our Non-Agency MBS: (i) in accordance with GAAP; (ii) underlying our Linked Transactions and (iii) combined with the securities underlying Linked Transactions for the quarters ended March 31, 2011 and March 31, 2010:

	For the Three Months Ended	
	March 31, 2011	**March 31, 2010**
Non-Agency MBS (excluding Linked Transactions)		
Coupon Yield *(1)*	6.83%	7.34%
Effective Yield Adjustment *(2)*	1.75	3.12
Net Yield	8.58%	10.46%
Non-Agency MBS Underlying Linked Transactions		
Coupon Yield *(1)*	5.21%	5.29%
Effective Yield Adjustment *(2)*	1.19	2.14
Net Yield	6.40%	7.43%
Combined Non-Agency MBS and MBS Underlying Linked Transactions		
Coupon Yield *(1)*	6.50%	6.82%
Effective Yield Adjustment *(2)*	1.64	2.87
Net Yield	8.14%	9.69%

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(1) Reflects the annualized coupon interest income divided by the average amortized cost. The discounted purchase price on Non-Agency MBS causes the coupon yield to be higher than the pass-through coupon interest rate.

(2) The effective yield adjustment is the difference between the net yield, calculated utilizing management s estimates of future cash flows for Non-Agency MBS, less the current coupon yield.

On February 17, 2011, as part of a resecuritization transaction, we sold Non-Agency residential MBS with an aggregate principal value of $1.320 billion to CSMC, who subsequently transferred the underlying certificates to a Delaware statutory trust, which we consolidate as a VIE. In connection with this transaction, third-party investors purchased $488.4 million face amount of Senior Bonds rated AAA by DBRS, Inc. issued by the VIE at a pass-through rate of one-month LIBOR plus 100 basis points. As consideration for these Non-Agency MBS, we received $831.6 million face amount of three classes of non-rated senior-support certificates issued by the VIE, which together provide credit support for the Senior Bonds, and $488.4 million in cash. We also acquired $488.4 million notional amount of non-rated, variable-rate, interest-only senior certificates issued by the VIE. For financial statement reporting purposes, we consolidate the underlying trust in this resecuritization and, as such, no gain or loss

was recorded. Since the underlying trust is consolidated, we take the view that the resecuritization is effectively a financing of the Non-Agency MBS sold to CSMC resulting in the Senior Bonds being presented in our consolidated financial statements as securitized debt. We used cash of $3.7 million for resecuritization related expenses, which will be amortized to interest expense over the life of the resecuritized MBS.

We continue to explore alternative business strategies, investments and financing sources and other strategic initiatives, including, but not limited to: the acquisition and securitization of residential mortgage loans, developing or acquiring asset management or third-party advisory services, creating new investment vehicles to manage MBS and/or other real estate-related assets. However, no assurance can be provided that any such strategic initiatives will or will not be implemented in the future or, if undertaken, that any such strategic initiatives will favorably impact us.

Tax Considerations

Variances between GAAP and Tax Income

Due to the potential timing differences in the recognition of GAAP net income compared to REIT taxable income on our investments, our net income and the unamortized amount of purchase discounts and premiums calculated in accordance with GAAP may differ significantly from such amounts calculated for purposes of determining our REIT taxable income. At March 31, 2011, net premiums on our Agency MBS portfolio under GAAP were $161.3 million compared to $158.4 million for tax purposes. In accordance with GAAP, a portion of the purchase discounts on our Non-Agency MBS are allocated to a Credit Reserve and, as such, are not expected to be accreted into interest income. In addition, under GAAP, certain Non-Agency MBS underlying our Linked Transactions are not reported as MBS; however, for purposes of determining our REIT taxable income, all Non-Agency MBS, including those underlying Linked Transactions, are treated as being owned and the purchase discounts associated with these securities are accreted into taxable income over the life of the applicable security. Under GAAP, we had net purchase discounts on our Non-Agency MBS portfolio of $1.159 billion, which when combined with purchase discounts of $84.3 million related to securities underlying our Linked Transactions, resulted in total purchase discounts on Non-Agency MBS of $1.243 billion at March 31, 2011. For tax purposes net purchase discounts on Non-Agency MBS at March 31, 2011 were $1.189 billion.

Resecuritizations

For tax purposes, depending on the transaction structure, a resecuritization transaction may be treated either as a sale or a refinancing of the underlying MBS. Income recognized from resecuritization transactions will differ for tax and GAAP. For tax purposes, we own and may in the future acquire interests in resecuritization trusts, in which several of the classes of securities are or will be issued with Original Issue Discount (or OID). As the holder of the retained interests in the trust, we generally will be required to include OID in our current gross interest income over the term of the applicable securities as the OID accrues. The rate at which the OID is recognized into taxable income is calculated using a constant rate of yield to maturity, without a loss assumption provision. For tax purposes, REIT taxable income may be recognized in excess of economic income (i.e., OID) or in advance of the corresponding cash flow from these assets, thereby effecting our dividend distribution requirement to stockholders.

Regulatory Developments

The U.S. Government, Federal Reserve, U.S. Treasury, Federal Deposit Insurance Corporation, Securities and Exchange Commission and other governmental and regulatory bodies have taken or are considering taking actions in response to the recent U.S. financial crisis. In particular, in July 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act (or the Dodd-Frank Act) was passed by the U.S. Congress and signed into law. The Dodd-Frank Act creates a new regulator housed within the Federal Reserve System, an independent bureau to be known as the Consumer Financial Protection Bureau (or the CFPB), which will have broad authority over a wide range of consumer financial products and services, including mortgage lending. Another section of the Dodd-Frank Act, the Mortgage Reform and Anti-Predatory Lending Bill (or the Mortgage Reform Act), contains new underwriting and servicing standards for the mortgage industry, as well as restrictions on compensation for mortgage originators. In addition, the Mortgage Reform Act grants broad discretionary regulatory authority to the CFPB to prohibit or condition terms, acts or practices relating to residential mortgage loans that the CFPB finds abusive, unfair, deceptive or predatory, as well as to take other actions that the CFPB finds are necessary or proper to ensure responsible affordable mortgage credit remains available to consumers. The Dodd-Frank Act also contains

laws affecting the securitization of mortgages with requirements for risk retention by mortgage securitizers and laws affecting credit rating agencies.

Much of the Dodd-Frank Act s implementation will likely require numerous implementing regulations. Thus, we are unable to fully predict at this time how the Dodd-Frank Act, as well as other laws that may be adopted in the future, will impact our business, results of operations and financial condition, or the environment for repurchase financing and other forms of borrowing, the investing environment for Agency MBS, Non-Agency MBS and/or residential mortgage loans, the securitization industry, interest rate swaps and other derivatives. However, at a minimum, we believe that the Dodd-Frank Act and the regulations to be promulgated thereunder are likely to increase the economic and compliance costs for participants in the mortgage and securitization industries, including us.

Results of Operations

Quarter Ended March 31, 2011 Compared to the Quarter Ended March 31, 2010

For the first quarter of 2011, we had net income available to common stock and participating securities of $80.8 million, or $0.27 per basic and diluted common share, compared to net income available to common stock and participating securities of $80.6 million, or $0.29 per basic and diluted common share, for the first quarter of 2010.

Interest income on our Agency MBS for the first quarter of 2011 decreased to $60.2 million from $78.7 million, or 23.5% for the first quarter of 2010. This change reflects (i) a decrease in the net yield on our Agency MBS to 3.84% for the first quarter of 2011 from 4.64% for the first quarter of 2010 and (ii) a decrease in our average Agency MBS portfolio (excluding changes in market values) to $6.274 billion for the first quarter of 2011 from $6.786 billion for the first quarter of 2010. Interest rates on the mortgages underlying our Agency MBS have continued to reset to lower market rates. In addition, our recent purchases of Agency MBS have lower yields and higher purchase premiums, reflecting current market conditions, than our Agency MBS that have prepaid and amortized. As a result, the coupon yield on our Agency MBS portfolio declined 80 basis points to 4.32% for the first quarter of 2011 from 5.12% for the first quarter of 2010. During the first quarter of 2011, our Agency MBS portfolio experienced a 21.0% CPR and we recognized $7.5 million of premium amortization compared to a CPR of 25.6% and $8.2 million of premium amortization for the first quarter of 2010. At March 31, 2011, we had net purchase premiums of $161.3 million, or 2.3% of current par value, on our Agency MBS, compared to net purchase premiums of $104.9 million and 1.8% of par value at December 31, 2010.

Interest income on our Non-Agency MBS (which includes Non-Agency MBS transferred to consolidated VIEs) for the first quarter of 2011 was $49.6 million compared to $29.0 million for the first quarter of 2010. (Certain of our Non-Agency MBS are reported as a component of Linked Transactions, rather than as MBS. See Note 4 to the accompanying consolidated financial statements, included under Item 1 of this quarterly report on Form 10-Q.) Excluding changes in market values, our average investment in our Non-Agency MBS increased by $1.206 billion, or 109.0%, to $2.314 billion for the first quarter of 2011 from $1.107 billion for the first quarter of 2010. The recent growth in our Non-Agency MBS was primarily funded with securitized debt in connection with our resecuritization transactions in February 2011 and October 2010 and capital raised in a public offering of our common stock in March 2011. In addition, during the first quarter of 2011, primarily in connection with our resecuritization transaction, certain of our Non-Agency MBS underlying Linked Transactions became delinked. As a result, Non-Agency MBS of $431.6 million, previously included as a component of Linked Transactions, were recognized as MBS on our consolidated balance sheet as of March 31, 2011. Our Non-Agency MBS portfolio yielded 8.58% for the first quarter of 2011 compared to 10.46% for the first quarter of 2010. The decrease in the yield on our Non-Agency MBS reflects the impact of rising prices for Non-Agency MBS and resulting lower yield on newly acquired assets. During the first quarter of 2011, we recognized net purchase discount accretion of $10.1 million on our Non-Agency

MBS, compared to $8.6 million for the first quarter of 2010. At March 31, 2011, we had net purchase discounts of $1.159 billion, including Credit Reserve and previously recognized OTTI of $945.9 million, on our Non-Agency MBS, or 28.2% of par value.

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The following table presents the components of the coupon yield and net yields earned on our Agency MBS and Non-Agency MBS and weighted average CPRs experienced for such MBS for the quarterly periods presented:

	Agency MBS			Non-Agency MBS			Total MBS		
Quarter Ended	Coupon Yield	Net Yield	Weighted Average CPR	Coupon Yield	Net Yield	Weighted Average CPR	Coupon Yield	Net Yield	Weighted Average CPR
March 31, 2011	4.32%	3.84%	20.95%	6.83%	8.58%	15.35%	5.00%	5.12%	19.53%
December 31, 2010	4.42	3.87	24.88	7.28	9.00	14.43	5.09	5.07	22.46
September 31, 2010	4.48	3.93	23.81	7.42	9.92	15.49	5.05	5.10	22.08
June 30, 2010	4.66	3.61	42.75	7.46	10.18	14.62	5.16	4.80	37.19
March 31, 2010	5.12	4.64	25.61	7.34	10.46	14.40	5.43	5.45	24.00

The following table presents information about average balances of our MBS portfolio by category and associated income for the quarters ended March 31, 2011 and March 31, 2010:

MBS Category (Dollars in Thousands)	Average Amortized Cost (1)	Interest Income	Weighted Average Coupon	Coupon Yield(2)	Net Asset Yield
Quarter Ended March 31, 2011					
Agency MBS	$ 6,273,769	$ 60,175	4.49%	4.32%	3.84%
Non-Agency MBS, including transfers to consolidated VIEs *(2)*	2,313,757	49,649	4.80	6.83	8.58
Total	$ 8,587,526	$ 109,824	4.60%	5.00%	5.12%
Quarter Ended March 31, 2010					
Agency MBS	$ 6,786,268	$ 78,679	5.31%	5.12%	4.64%
Non-Agency MBS *(2)*	1,107,284	28,965	4.69	7.34	10.46
Total	$ 7,893,552	$ 107,644	5.18%	5.43%	5.45%

(1) Includes principal payments receivable.

(2) Reflects the annualized coupon interest income divided by the average amortized cost. The discounted purchase price on Non-Agency MBS causes the coupon yield to be higher than the pass-through coupon interest rate. (Does not include MBS underlying our Linked Transactions. See Note 4 to the accompanying consolidated financial statements, included under Item 1 of this quarterly report on Form 10-Q.)

Interest income from our cash investments, which are comprised of money market investments, is not a material source of income, as the yields on such funds are at historically low levels. Our average cash investments were $453.7 million and yielded 0.05% for the first quarter of 2011 compared to average cash investments of $513.9 million that yielded 0.04% for the first quarter of 2010. In general, we manage our cash investments relative to our investing, financing and operating requirements, investment opportunities and current and anticipated market conditions.

At March 31, 2011, we had repurchase agreement borrowings of $7.653 billion, of which $3.020 billion was hedged with Swaps. At March 31, 2011, our Swaps had a weighted average fixed-pay rate of 3.43% and extended 26 months on average with a maximum remaining term of approximately 59 months. Our cost of funding on the hedged portion of our borrowings is in effect fixed over the term of the related Swap. As a result, the interest expense on our hedged repurchase agreement borrowings has not declined to the same extent that market interest rates have

declined.

Our interest expense for the first quarter of 2011 decreased by 9.9% to $34.7 million from $38.5 million for the first quarter of 2010. This decrease reflects the combined impact of the effective interest rate paid on our borrowings partially offset by an increase in our average borrowings. Our interest expense for the first quarter of 2011 was comprised of interest expense of $33.1 million on our borrowings under repurchase agreements and $1.6 million on our securitized debt. Our average repurchase agreement borrowings for the three months ended March 31, 2011 were $6.601 billion, compared to $6.508 billion for the first quarter of 2010. As a result of the resecuritization transactions completed in October 2010 and February 2011, we had securitized debt of $663.4 million at March 31, 2011. Our securitized debt, which bears interest at variable rates, had an aggregate weighted

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average balance of $440.8 million for the three months ended March 31, 2011; we had no securitized debt during the first quarter of 2010. The effective interest rate paid on our borrowings decreased to 1.99% for the quarter ended March 31, 2011 from 2.40% for the quarter ended March 31, 2010, reflecting a decline in market interest rates and the maturity of Swaps with higher fixed-pay rates. Payments made and/or received on our Swaps are a component of our borrowing costs and accounted for interest expense of $24.0 million, or 138 basis points, for the quarter ended March 31, 2011, compared to interest expense of $29.1 million, or 182 basis points, for the first quarter of 2010. Certain of our Swaps have fixed interest rates that are significantly higher than current market interest rates, as such Swaps continue to amortize and/or expire, the Swap component of our borrowing costs is expected to decrease. During the quarter ended March 31, 2011, we entered into five Swaps with an aggregate notional amount of $430.0 million and a weighted average fixed pay rate of 1.81% with initial maturities ranging from four to five years and had Swaps with an aggregate notional amount of $215.9 million and a weighted average fixed pay rate of 4.24% expire.

The following table presents information about our securitized debt at March 31, 2011:

Benchmark Interest Rate		**At March 31, 2011**	
(Dollars in Thousands)		**Securitized Debt**	**Interest Rate**
30 Day LIBOR + 100 basis points	$	464,064	1.25%
30 Day LIBOR + 125 basis points		199,303	1.50
Total	$	663,367	1.32%

We expect that our interest expense and funding costs for the remainder of 2011 will be impacted by market interest rates, the amount of our borrowings, our existing and future Swaps and the extent to which we execute additional financing transactions, such as resecuritizations. As a result of these variables, our borrowing costs cannot be predicted with any certainty. (See Notes 4, 7 and 14 to the accompanying consolidated financial statements, included under Item 1 of this quarterly report on Form 10-Q.)

The following table presents our leverage multiples, as measured by debt-to-equity, at the dates presented:

At the Period Ended	**GAAP Leverage Multiple (1)**	**Non-GAAP Leverage Multiple(2)**
March 31, 2011	2.9	3.0
December 31, 2010	2.8	3.0
September 30, 2010	2.6	2.8
June 30, 2010	2.8	3.0
March 31, 2010	2.7	2.8

(1) Represents borrowings under repurchase agreements and securitized debt divided by stockholders equity.

(2) The Non-GAAP Leverage Multiple reflects our borrowings under repurchase agreements, securitized debt, and borrowings that are reported on our balance sheet as a component of Linked Transactions of $304.1 million, $567.3 million, $422.3 million, $342.0 million, and $321.8 million at March 31, 2011, December 31, 2010, September 30, 2010, June 30, 2010, and March 31, 2010, respectively. We present a non-GAAP leverage multiple since repurchase agreement borrowings that are a component of Linked Transactions may not be linked in the future and, if no longer linked, will be reported as repurchase agreement borrowings, which will increase our leverage multiple (See Note 4 to the accompanying consolidated financial statements, included under Item 1 of this quarterly report on Form 10-Q.)

For the first quarter of 2011, our net interest income increased to $75.2 million from $69.2 million for the first quarter of 2010. This increase primarily reflects the significant increase in our investments in Non-Agency MBS and, to a lesser extent, the decrease in our borrowings costs, as discussed above. As a result of our increase in Non-Agency MBS, which have higher yields relative to Agency MBS, our net interest spread and margin increased in the first quarter of 2011 to 2.87% and 3.31%, respectively, compared to a net interest spread and margin of 2.73% and 3.29%, respectively, for the first quarter of 2010.

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The following table presents information regarding our average balances, interest income and expense, yields on average interest-earning assets, average cost of funds and net interest income for the quarters presented:

Quarter Ended (Dollars in Thousands)	Average Amortized Cost of MBS (1)	Interest Income on MBS	Average Interest Earning Cash (2)	Total Interest Income	Yield on Average Interest-Earning Assets	Average Balance of Repurchase Agreements and Securitized Debt	Interest Expense	Average Cost of Funds	Net Interest Income
March 31, 2011	$ 8,587,526	$ 109,824	$ 453,730	$ 109,878	4.86%	$ 7,041,406	$ 34,653	1.99%	$ 75,225
December 31, 2010	7,689,167	97,498	482,683	97,597	4.78	6,324,079	35,469	2.23	62,128
September 30, 2010	7,637,483	97,296	440,146	97,417	4.82	6,205,856	35,464	2.26	61,953
June 30, 2010	7,375,637	88,515	646,644	88,627	4.42	6,129,448	35,741	2.34	52,886
March 31, 2010	7,893,552	107,644	513,867	107,697	5.13	6,507,890	38,451	2.40	69,246

(1) Unrealized gains and losses are not reflected in the average amortized cost of MBS.

(2) Includes average interest-earning cash, cash equivalents and restricted cash.

The following table presents certain quarterly information regarding our net interest spreads and net interest margin for the quarterly periods presented:

Quarter Ended	Total Interest-Earning Assets and Interest-Bearing Liabilities		MBS Only		
	Net Interest Spread	Net Interest Margin(1)	Net Yield MBS	Cost of Funding MBS	Net MBS Spread
March 31, 2011	2.87%	3.31%	5.12%	1.99%	3.13%
December 31, 2010	2.55	3.06	5.07	2.23	2.84
September 30, 2010	2.56	3.08	5.10	2.26	2.84
June 30, 2010	2.08	2.64	4.80	2.34	2.46
March 31, 2010	2.73	3.29	5.45	2.40	3.05

(1) Annualized net interest income divided by average interest-earning assets.

For the first quarter of 2011, we had $15.2 million of other income, net, which primarily reflects the unrealized net gains and net interest income from Linked Transactions of $14.9 million. The unrealized net gains and net interest income from Linked Transactions is comprised of interest income of $9.4 million on the underlying Non-Agency MBS, interest expense of $1.8 million on the borrowings under repurchase agreements and appreciation of $7.2 million in the fair value of the underlying securities. Future changes in the market value of the securities underlying our Linked Transactions, the amount of additional future Linked Transactions and the amount of Linked Transactions that become unlinked in the future, none of which can be predicted with any certainty, will impact future unrealized net gains and net interest income from Linked Transactions. If Linked Transactions become unlinked in the future, the underlying MBS and borrowings under repurchase agreements and associated interest income and expense will be presented gross on our consolidated balance sheets and statements of operations, prospectively. Furthermore, the underlying Non-Agency MBS will be recorded with an amortized cost equal to their fair value when such transactions become unlinked, which generally impact the prospective yield on such securities. During the three months ended March 31, 2011, certain of our Linked Transactions became unlinked, resulting in our recording Non-Agency MBS with a fair value of $431.6 million. Of this amount, $160.3 million were financed using repurchase agreement borrowings, either with a different counterparty or following a collateral substitution agreed to with

the original counterparty, $257.6 million were refinanced as part of the February 2011 resecuritization transaction, and $13.7 million were financed using cash.

For the first quarter of 2011, we had compensation and benefits and other general and administrative expense of $7.3 million, or 1.17% of average equity, compared to $6.2 million, or 1.13% of average equity, for the first quarter of 2010. The increase in our employee compensation and benefits expense for the first quarter of 2011 compared to the first quarter of 2010, primarily reflects compensation associated with our additional hires and increases in compensation to remain competitive in the marketplace. Our other general and administrative expenses, which were $2.2 million for the quarter ended March 31, 2011, compared to $1.9 million for the quarter ended March 31, 2010, were comprised primarily of the cost of data and analytical systems, office rent and related

occupancy costs, Board fees and Board expenses, professional services, including auditing and legal fees, costs of complying with the provisions of the Sarbanes-Oxley Act of 2002, corporate insurance, and miscellaneous other operating costs. These increases primarily reflect costs incurred to expand our investment analytic capability, associated primarily with our investment in Non-Agency MBS, and data system upgrades. During the third quarter of 2011, we expect to occupy our newly leased premises to accommodate the growth of our team and accordingly expect that our facilities cost will reflect our expansion.

Liquidity and Capital Resources

General

Our principal sources of cash generally consist of borrowings under repurchase agreements, payments of principal and interest we receive on our MBS portfolio, cash generated from our operating results and, depending on market conditions, proceeds from capital market and resecuritization transactions. Our most significant uses of cash are generally to pay principal and interest on our borrowings under repurchase agreements and securitized debt, to purchase MBS, to make dividend payments on our capital stock, to fund our operations and to make other investments that we consider appropriate.

We employ a diverse capital raising strategy under which we may issue capital stock. On March 11, 2011, we issued 74.8 million shares of our common stock in a public offering, generating net cash proceeds of $605.0 million, after expenses. In addition, during the three months ended March 31, 2011, we issued 22,530 shares of common stock through our DRSPP, raising net proceeds of $182,530. We primarily used the proceeds from these equity transactions to invest in Non-Agency MBS and Agency MBS in accordance with our investment policy. To the extent we issue additional equity through capital market transactions, we currently anticipate using the proceeds from such transactions to purchase additional MBS, to make scheduled payments of principal and interest on our repurchase agreement and other borrowings, for working capital and for other general corporate purposes. We may also acquire other investments consistent with our investment strategies and operating policies. There can be no assurance, however, that we will be able to raise additional equity capital at any particular time or on any particular terms. At March 31, 2011, we had available for issuance an unlimited amount (subject to the terms and limitations of our charter) of common stock, preferred stock, depositary shares representing preferred stock and/or warrants pursuant to our automatic shelf registration statement and 9.2 million shares of common stock available for issuance pursuant to our DRSPP shelf registration statement.

Our borrowings under repurchase agreements are renewable at the discretion of our lenders and, as such, our ability to roll-over such borrowings is not guaranteed. The terms of the repurchase transaction borrowings under our master repurchase agreements generally conform to the terms in the standard master repurchase agreement as published by the Securities Industry and Financial Markets Association, or SIFMA, as to repayment, margin requirements and the segregation of all securities we have initially sold under the repurchase transaction. In addition, each lender typically requires that we include supplemental terms and conditions to the standard master repurchase agreement. Typical supplemental terms and conditions, which differ by lender, may include changes to the margin maintenance requirements, required haircuts, and purchase price maintenance requirements, requirements that all controversies related to the repurchase agreement be litigated in a particular jurisdiction and cross default and setoff provisions.

During the first three months of 2011, the financial market environment was impacted by continued accommodative monetary policy. Repurchase agreement funding for both Agency MBS and Non-Agency MBS remained available to us at attractive market terms from multiple counterparties. Typically, repurchase agreement funding involving Non-Agency MBS is available from fewer counterparties, at terms requiring higher collateralization and higher interest rates, than for repurchase agreement funding involving Agency MBS.

We maintain cash and cash equivalents, unpledged Agency MBS and collateral in excess of margin requirements held by our counterparties (or collectively, our Cushion) to meet routine margin calls and protect against unforeseen reductions in our borrowing capabilities. Our ability to meet future margin calls will be impacted by our Cushion, which varies based on the market value of our securities, our cash position and margin requirements. Our cash position fluctuates based on the timing of our operating, investing and financing activities and is managed based on our anticipated cash needs. (See our consolidated statements of cash flows, included under Item 1 of this quarterly report on Form 10-Q and Interest Rate Risk included under Item 3 of this quarterly report on Form 10-Q.)

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At March 31, 2011, we had a total of $8.780 billion of MBS and $34.6 million of restricted cash pledged against our repurchase agreements and Swaps. At March 31, 2011, we had a Cushion of $1.208 billion available to meet potential margin calls, comprised of cash and cash equivalents of $629.4 million, unpledged Agency MBS of $504.2 million and excess collateral of $74.5 million, which included securities of $17.7 million held as reverse collateral. In addition, at March 31, 2011, we had unpledged Non-Agency MBS with a fair value of $574.7 million. To date, we have satisfied all of our margin calls and have never sold assets in response to any margin call.

On February 17, 2011, as part of a resecuritization transaction, we sold Non-Agency MBS with an aggregate principal value of $1.320 billion to CSMC, who subsequently transferred the underlying certificates to a Delaware statutory trust, which we consolidate as a VIE. In connection with this transaction, third-party investors purchased $488.4 million face amount of Senior Bonds rated AAA by DBRS, Inc. issued by the VIE at a pass-through rate of one-month LIBOR plus 100 basis points. As consideration for these Non-Agency MBS, we received $831.6 million face amount of three classes of non-rated senior-support certificates issued by the VIE, which together provide credit support for the Senior Bonds, and $488.4 million in cash. We also acquired $488.4 million notional amount of non-rated, variable-rate, interest-only senior certificates issued by the VIE. For financial statement reporting purposes, we consolidate the underlying trust in this resecuritization and, as such, no gain or loss was recorded. Since the underlying trust is consolidated, we take the view that the resecuritization is effectively a financing of the Non-Agency MBS sold to CSMC resulting in the Senior Bonds being presented in our consolidated financial statements as securitized debt. We used cash of $3.7 million for resecuritization related expenses, which will be amortized to interest expense over the life of the resecuritized MBS.

The table below presents certain information about our borrowings under repurchase agreements and securitized debt:

	Repurchase Agreements			Securitized Debt		
Quarter Ended (In Thousands)	**Quarterly Average Balance**	**End of Period Balance**	**Maximum Balance at Any Month-End**	**Quarterly Average Balance**	**End of Period Balance**	**Maximum Balance at Any Month-End**
March 31, 2011	$ 6,600,592	$ 7,652,713*(1)*	$ 7,652,713	$ 440,814	$ 663,367*(3)*	$ 680,794*(3)*
December 31, 2010	6,105,940	5,992,269*(2)*	6,116,460	218,139	220,933*(4)*	237,612*(4)*
September 30, 2010	6,205,856	5,995,447*(2)*	6,268,142			
June 30, 2010	6,129,448	6,274,220	6,274,220			
March 31, 2010	6,507,890	6,013,875*(2) (5)*	6,872,221			

(1) On March 11, 2011, the Company raised net equity of approximately $605.0 million, which was invested on a leveraged basis and, as a result, increased the Company s borrowings under repurchase agreements.

(2) The lower end of period balance reflects the declining balance of our borrowings under repurchase agreements associated with our Agency MBS during the quarter.

(3) Reflects securitized debt from our resecuritization transactions in February 2011 and October 2010.

(4) Reflects securitized debt from our resecuritizations transaction in October 2010.

(5) The lower end of period balance reflects the termination of $657.3 million of borrowings under repurchase agreements during the first quarter of 2010 in connection with sales of $931.9 million of Agency MBS.

Cash Flows and Liquidity For the Three Months Ended March 31, 2011

Our cash and cash equivalents increased by $284.2 million during the three months ended March 31, 2011, reflecting cash generated by the following activities: $2.297 billion provided by our financing activities; $62.1 million provided by our operating activities; and $2.075 billion used through our investing activities, primarily to purchase MBS.

At March 31, 2011, our debt-to-equity multiple was 2.9x compared to 2.8x at December 31, 2010. At March 31, 2011, we had borrowings under repurchase agreements of $7.653 billion with 24 counterparties, of which $6.383 billion was secured by Agency MBS and $1.270 billion was secured by Non-Agency MBS. In addition, at such date, we had $304.1 million of borrowings under repurchase agreements that were a component of our Linked Transactions. We continue to have available capacity under our repurchase agreement credit lines. At December 31, 2010, we had borrowings under repurchase agreements of $5.992 billion with 21 counterparties and had borrowings under repurchase agreements of $567.3 million that were a component of our Linked Transactions.

At March 31, 2011, we had aggregate securitized debt of $663.4 million, resulting from our February 2011 and October 2010 resecuritization transactions. During the quarter ended March 31, 2011, we used cash of $46.0 million

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to make principal payments on our securitized debt, which had a weighted average expected remaining term of 1.7 months at March 31, 2011.

Our investing activities provided cash of $2.075 billion during the three months ended March 31, 2011. During this period, we received cash of $521.8 million from prepayments and scheduled amortization on our MBS portfolio, of which $434.2 million was attributable to Agency MBS and $87.6 million was from Non-Agency MBS. During the period, we purchased $1.844 billion of Agency MBS and $751.6 million of Non-Agency MBS funded with cash and repurchase agreement borrowings. While we generally intend to hold our MBS as long-term investments, we may sell certain MBS in order to manage our interest rate risk and liquidity needs, meet other operating objectives and adapt to market conditions.

In connection with our repurchase agreements and Swaps, we routinely receive margin calls from our counterparties and make margin calls to our counterparties. Margin calls and reverse margin calls, which requirements vary over time, may occur daily between us and any of our counterparties when the value of collateral pledged changes from the amount contractually required. The value of securities pledged as collateral changes as the face (or par) value of our MBS changes, reflecting principal amortization and prepayments, market interest rates and/or other market conditions change, and the market value of our Swaps changes. Margin calls/reverse margin calls are satisfied when we pledge/receive additional collateral in the form of additional securities and/or cash. We have maintained compliance with all of our financial covenants to date.

The table below summarizes our margin activity with respect to our MBS, Linked Transactions and Swaps for the quarterly periods presented:

	Collateral Pledged to Meet Margin Calls				
For the Quarter Ended (In Thousands)	**Fair Value of Securities Pledged**	**Cash Pledged**	**Aggregate Assets Pledged For Margin Calls**	**Cash and Securities Received For Reverse Margin Calls**	**Net Assets Received/ (Pledged) For Margin Activity**
March 31, 2011	$ 259,382	$ 650	$ 260,032	$ 360,737	$ 100,705
December 31, 2010	309,417	290	309,707	225,592	(84,115)
September 30, 2010	417,626	3,302	420,928	472,694	51,766
June 30, 2010	881,280*(1)*	172,919	1,054,199	838,342	(215,857)
March 31, 2010	422,614	259,286	681,900	808,555	126,655

(1) Higher prepayments due to the implementation of the initial loan buyout programs instituted by Fannie Mae and Freddie Mac, pursuant to which 120+ days delinquent mortgages were purchased out of existing Agency MBS pools between March and July 2010, resulting in a significant increase in margin calls during the second quarter of 2010.

During the three months ended March 31, 2011, we paid cash dividends of $66.0 million on our common stock (which were declared in December 2010), paid cash dividends of $2.0 million on our preferred stock and made payments of $356,000 on our outstanding DERs. On March 31, 2011, we declared our first quarter 2011 dividend on our common stock of $0.235 per share; on April 29, 2011, we paid this dividend which totaled $83.9 million, including DERs of $355,000.

We believe that we have adequate financial resources to meet our current obligations, including margin calls, as they come due, to fund dividends we declare and to actively pursue our investment strategies. However, should the value of our MBS suddenly decrease, significant

margin calls on our repurchase agreements could result and our liquidity position could be materially and adversely affected. Further, should market liquidity tighten, our repurchase agreement counterparties may increase our margin requirements on new financings, reducing our ability to use leverage.

Off-Balance Sheet Arrangements

We do not have any material off-balance-sheet arrangements. Our Linked Transactions are comprised of MBS, associated repurchase agreements and interest receivable/payable on such accounts. The extent to which these transactions become unlinked in the future, the underlying MBS and the borrowings under repurchase agreements and associated interest income and expense will be presented on a gross basis on our consolidated balance sheet and statement of operations, prospectively. (See page 42 for information about our leverage multiple and Note 4 to the accompanying consolidated financial statements, included under Item 1 of this quarterly report on

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Form 10-Q.)

Inflation

Substantially all of our assets and liabilities are financial in nature. As a result, changes in interest rates and other factors impact our performance far more than does inflation. Our financial statements are prepared in accordance with GAAP and dividends declared are based upon net ordinary income as calculated for tax purposes. In each case, our results of operations and reported assets, liabilities and equity are measured with reference to historical cost or fair value without considering inflation.

Other Matters

We intend to conduct our business so as to maintain our exempt status under, and not to become regulated as an investment company for purposes of, the Investment Company Act. The Investment Company Act exempts entities that are primarily engaged in the business of purchasing or otherwise acquiring mortgages and other liens on and interests in real estate. Under current interpretations of the SEC staff, this exemption generally means that at least 55% of our assets must be comprised of qualifying assets and at least 80% of our portfolio must be comprised of qualifying assets and real estate-related assets under the Investment Company Act. Qualifying assets for this purpose include whole pool Agency MBS that the SEC staff in various no-action letters has determined are the functional equivalent of mortgage loans for the purposes of the Investment Company Act. We intend to treat as real estate-related assets MBS that do not represent all of the certificates issued with respect to the entire pool of mortgages. Compliance with this exemption limits the types of assets we may acquire from time to time. In addition, although we intend to monitor our portfolio periodically and prior to each investment acquisition, there can be no assurance that we will be able to maintain this exemption. Further, to the extent that the SEC staff provides different guidance regarding any of the matters bearing upon this exemption, we may be required to adjust our strategy which may require us to sell a substantial portion of our assets under potentially adverse market conditions or acquire assets in order for us to regain compliance. If we fail to maintain our exempt status under the Investment Company Act and become regulated as an investment company, our ability to, among other things, use leverage would be substantially reduced and, as a result, we would be unable to conduct our business as described in this quarterly report on Form 10-Q for the quarter ended March 31, 2011.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

We seek to manage our risks related to interest rates, liquidity, prepayment speeds, market value and the credit quality of our assets while, at the same time, seeking to provide an opportunity to stockholders to realize attractive total returns through ownership of our capital stock. While we do not seek to avoid risk, we seek, consistent with our investment policies, to: assume risk that can be quantified from historical experience and actively manage such risk; earn sufficient returns to justify the taking of such risks; and maintain capital levels consistent with the risks that we undertake.

Interest Rate Risk

We primarily invest in residential ARM-MBS on a leveraged basis. We take into account both anticipated coupon resets on our ARM-MBS and expected prepayments on all of our MBS when measuring the sensitivity of our MBS portfolio to changes in interest rates. Our Repricing Gap measures the difference between: (a) the weighted average months until the next coupon adjustment or projected prepayment on our MBS portfolio, including Non-Agency MBS underlying Linked Transactions; and (b) the months remaining to repricing for our repurchase financings (reflecting the impact of Swaps), including repurchase financings underlying our Linked Transactions and securitized debt. A CPR is applied in order to reflect, to a certain extent, the prepayment characteristics inherent in our interest-earning assets and interest-bearing liabilities. Over the last consecutive eight quarters, ending with March 31, 2011, the monthly fair value weighted average CPR on our MBS portfolio ranged from a high of 37.9% experienced during the quarter ended June 30, 2010 to a low of 15.2% experienced during the quarter ended June 30, 2009, with an average CPR over such quarters of 21.9%.

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The following table presents information at March 31, 2011 about our Repricing Gap based on contractual maturities (i.e., 0 CPR), and applying CPRs of 15%, 20% and 25% to our MBS portfolio, including MBS underlying our Linked Transactions:

CPR Assumptions	Estimated Months to Asset Reset or Expected Prepayment	Estimated Months to Liabilities Reset (1)	Repricing Gap in Months (1)
0%*(2)*	57	11	46
15%	30	11	19
20%	26	11	15
25%	23	11	12

(1) Reflects the effect of our Swaps.

(2) 0% CPR reflects only scheduled amortization and contractual maturities.

At March 31, 2011, our financing obligations under repurchase agreements and repurchase agreement borrowings underlying our Linked Transactions had a weighted average remaining contractual term of 43 days and a weighted average term to interest rate reset of 38 days, or an effective repricing period of 11 months including the impact of our Swaps. Upon contractual maturity or an interest reset date, these borrowings are typically refinanced at prevailing market rates. We use Swaps as part of our overall interest rate risk management strategy. Our Swaps are intended to act as a hedge against future interest rate increases on our repurchase financings, which rates are typically LIBOR based.

While our Swaps do not extend the maturities of our borrowings under repurchase agreements, they do however, in effect, lock in a fixed rate of interest over their term for a corresponding amount of our repurchase agreements that such Swaps hedge. For the quarter ended March 31, 2011, our Swaps accounted for $24.0 million, or 138 basis points, of our borrowing costs. At March 31, 2011, we had borrowings under repurchase agreements of $7.653 billion and borrowings under repurchase agreements of $304.1 million underlying Linked Transactions. At such date, we had Swaps with a notional amount of $3.020 billion with a weighted average fixed-pay rate of 3.43%, which extended 26 months on average with a maximum term of approximately 59 months.

At March 31, 2011, our Swaps were in a net unrealized loss position of $113.5 million, compared to an unrealized loss position of $139.1 million at December 31, 2010. We expect that over time the unrealized losses on our Swaps will decrease, as our Swaps with higher fixed-pay rates amortize and their remaining term shortens. (See Note 4 to the accompanying consolidated financial statements, included under Item 1 of this quarterly report on Form 10-Q.)

The interest rates for most of our ARM-MBS, once in their adjustable rate period, primarily reset based on LIBOR and, to a lesser extent, one-year constant maturity treasury rate (or CMT) or the Federal Reserve U.S. 12-month cumulative average one-year CMT (or MTA), while our borrowings, comprised of repurchase agreements and securitized debt, are generally priced off of LIBOR. While LIBOR, CMT and MTA generally move together, there can be no assurance that the movement of one index will match that of the other index and, in fact, have at times moved inversely. The returns on our Non-Agency MBS, a significant portion of which were purchased at a discount, are impacted by the timing and amount of prepayments, credit performance and the benchmark rate to which the underlying mortgages are indexed.

Loans underlying Agency ARM-MBS generally reset based on the same benchmark index, Non-Agency MBS may be collateralized by mortgage loans that reset based on various benchmark indices and may contain fixed-rate mortgages. The ARMs collateralizing our Agency MBS are primarily comprised of Hybrids; which have interest rates that are typically fixed for three to ten years at origination and, thereafter, generally adjust annually to an increment over a specified interest rate index; and, to a lesser extent, ARMs, which have interest rates that generally adjust annually (although some may adjust more frequently) to an increment over a specified interest rate index. (See Item 3 Quantitative and Qualitative Disclosures About Market Risk -Interest Rate Risk in this quarterly report.)

Because the expected yields on our Non-Agency MBS are significantly greater than expected yields on non-credit sensitive assets, Non-Agency MBS will generally exhibit less sensitivity to changes in market interest rates than non-credit sensitive assets. The extent to which the yield on our Non-Agency MBS is impacted by the accretion of purchase discounts will vary over time, by security, based upon the amount of purchase discount, the actual credit performance and CPRs experienced on each MBS.

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The amount by which our ARM-MBS can reset is limited by the interim and lifetime caps on the underlying mortgages. The following table presents information about the interim and lifetime caps on our Agency ARM-MBS portfolio at March 31, 2011:

Lifetime Caps on Agency ARMs

Maximum Lifetime Interest Rate	**% of Total**
8.3% to 10.0%	54.3%
>10.0% to 12.0%	42.6
>12.0%	3.1
	100.0%

Interim Interest Rate Caps on Agency ARMs

Maximum Interim Change in Rate	**% of Total**
<1.0%	1.6%
>1.0% and <3.0%	10.2
>3.0% and <5.0%	82.5
>5.0%	2.6
No interim caps	3.1
	100.0%

We generally acquire interest-rate sensitive assets and fund them with interest-rate sensitive liabilities, a portion of which are hedged with Swaps. Our adjustable-rate assets reset on various dates that are not matched to the reset dates on our repurchase agreement borrowings. In general, the repricing of our repurchase agreements occurs more quickly, including the impact of Swaps than the repricing of our assets. Therefore, on average, our cost of borrowings generally rises or falls more quickly in response to changes in market interest rates than would the yield on our interest-earning assets.

At March 31, 2011, MFA s $10.983 billion of Agency MBS and Non-Agency MBS, which included MBS underlying Linked Transactions, were backed by hybrid, adjustable and fixed-rate mortgages. Additional information about these MBS, including months to reset, is presented below:

	Agency MBS		**Non-Agency MBS**		**Total**	
(Dollars in Thousands)	**Market Value**	**Average Months to Reset (1)**	**Market Value**	**Average Months to Reset (1)**	**Market Value**	**Average Months to Reset (1)**
Time to Reset:						
< 2 years *(2)*	$ 1,887,746	8	$ 1,777,444	6	$ 3,665,190	7
2-5 years	3,056,952	44	454,461	41	3,511,413	44
> 5 years	720,032	73	460,665	69	1,180,697	71
ARM-MBS Total	$ 5,664,730	36	$ 2,692,570	23	$ 8,357,300	32
15-year fixed	$ 1,709,780		$		$ 1,709,780	
30-year fixed			908,163		908,163	
40-year fixed			7,500		7,500	
Fixed Rate Total	$ 1,709,780		$ 915,663		$ 2,625,443	
MBS Total	$ 7,374,510		$ 3,608,233		$ 10,982,743	

(1) Months to reset is the number of months remaining before the coupon interest rate resets. At reset, the MBS coupon will adjust based upon the underlying benchmark interest rate index, margin and periodic or lifetime caps. The months to reset do not reflect scheduled amortization or prepayments.

(2) Includes floating rate MBS that may be collateralized by fixed-rate mortgages.

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The information presented in the following Shock Table projects the potential impact of sudden parallel changes in interest rates on our net interest income and portfolio value, including the impact of Swaps, over the next 12 months based on the assets in our investment portfolio at March 31, 2011. All changes in income and value are measured as the percentage change from the projected net interest income and portfolio value at the base interest rate scenario at March 31, 2011.

Shock Table

Change in Interest Rates (Dollars in Thousands)		Estimated Value of MBS (1)		Estimated Value of Swaps		Estimated Value of Financial Instruments Carried at Fair Value (2)		Estimated Change in Fair Value	Percentage Change in Net Interest Income (3)	Percentage Change in Portfolio Value
+100 Basis Point Increase	$	10,793,467	$	(54,002)	$	10,739,465	$	(129,807)	(8.93)%	(1.19)%
+ 50 Basis Point Increase	$	10,893,968	$	(83,737)	$	10,810,231	$	(59,041)	(4.17)%	(0.54)%
Actual at March 31, 2011	$	10,982,743	$	(113,471)	$	10,869,272	$			
- 50 Basis Point Decrease	$	11,059,793	$	(143,206)	$	10,916,587	$	47,315	0.43%	0.44%
-100 Basis Point Decrease	$	11,125,116	$	(172,941)	$	10,952,175	$	82,903	(0.92)%	0.76%

(1) Includes linked MBS that are reported as a component of Linked Transactions on our consolidated balance sheet. Such MBS may not be linked in future periods.

(2) Does not include cash investments, which typically have overnight maturities and are not expected to change in value as interest rates change.

(3) Includes linked repurchase agreements that are reported as a component of our Linked Transactions on our consolidated balance sheet. Such repurchase agreements may not be linked in future periods.

Certain assumptions have been made in connection with the calculation of the information set forth in the Shock Table and, as such, there can be no assurance that assumed events will occur or that other events will not occur that would affect the outcomes. The base interest rate scenario assumes interest rates at March 31, 2011. The analysis presented utilizes assumptions and estimates based on management s judgment and experience. Furthermore, while we generally expect to retain such assets and the associated interest rate risk to maturity, future purchases and sales of assets could materially change our interest rate risk profile. It should be specifically noted that the information set forth in the above table and all related disclosure constitute forward-looking statements within the meaning of Section 27A of the 1933 Act and Section 21E of the 1934 Act. Actual results could differ significantly from those estimated in the Shock Table above.

The Shock Table quantifies the potential changes in net interest income and portfolio value, which includes the value of our Swaps (which are carried at fair value), should interest rates immediately change (i.e., shocked). The Shock Table presents the estimated impact of interest rates instantaneously rising 50 and 100 basis points, and falling 50 and 100 basis points. The cash flows associated with our portfolio of MBS for each rate shock are calculated based on assumptions, including, but not limited to, prepayment speeds, yield on replacement assets, the slope of the yield curve and composition of our portfolio. Assumptions made on the interest rate sensitive liabilities, which are assumed to be repurchase financings and securitized debt, include anticipated interest rates, collateral requirements as a percent of the repurchase agreement, amount and term of borrowing. Given the low level of interest rates at March 31, 2011, we applied a floor of 0% for all anticipated interest rates included in our assumptions. Due to this floor, it is anticipated that any hypothetical interest rate shock decrease would have a limited positive impact on our funding costs; however, because prepayments speeds are unaffected by this floor, it is expected that any increase in our prepayment speeds (occurring as a result of any interest rate shock decrease or otherwise) could result in an acceleration of our premium amortization on our Agency MBS and discount accretion on our Non-Agency MBS and the reinvestment of principal repayments in lower yielding assets. As a

result, because the presence of this floor limits the positive impact of interest rate decrease on our funding costs, hypothetical interest rate shock decreases could cause the fair value of our financial instruments and our net interest income to decline.

At March 31, 2011, the impact on portfolio value was approximated using the calculated effective duration (i.e., the price sensitivity to changes in interest rates), including the effect of Swaps, of 0.97 which is the weighted average of 2.25 for our Agency MBS, (2.05) for Swaps and zero for our Non-Agency MBS and expected convexity (i.e., the approximate change in duration relative to the change in interest rates) of (0.43), which is the weighted average of (0.64) for our Agency MBS and zero for our Non-Agency MBS. The impact on our net interest income is driven

mainly by the difference between portfolio yield and cost of funding of our repurchase agreements (including those underlying our Linked Transactions), which includes the cost and/or benefit from Swaps that hedge certain of our repurchase agreement borrowings. Our asset/liability structure is generally such that an increase in interest rates would be expected to result in a decrease in net interest income, as our borrowings are generally shorter in term than our interest-earning assets. When interest rates are shocked, prepayment assumptions are adjusted based on management s expectations along with the results from the prepayment model.

Market Value Risk

Our MBS are designated as available-for-sale and, as such, are reported at their fair value. The difference between amortized cost and fair value of our MBS is reflected in accumulated other comprehensive income/(loss), a component of Stockholders Equity, except that credit related impairments that are identified as other-than-temporary are recognized through earnings. Changes in the fair value of our Linked Transactions are reported in earnings. At March 31, 2011, our investment portfolio was comprised of Agency MBS and Non-Agency MBS. While changes in the fair value of our Agency MBS are generally not credit-related, changes in the fair value of our Non-Agency MBS and Linked Transactions may reflect both market and interest rate conditions as well as credit risk. At March 31, 2011, our Non-Agency MBS had a fair value of $3.202 billion and an amortized cost of $2.953 billion, comprised of gross unrealized gains of $275.2 million and gross unrealized losses of $25.8 million. At March 31, 2011, our Linked Transactions included MBS with a fair value of $406.4 million, including net gains of $8.2 million, which have been reflected through earnings to date as a component of unrealized net gains and net interest income from Linked Transactions.

Generally, in a rising interest rate environment, the fair value of our MBS would be expected to decrease; conversely, in a decreasing interest rate environment, the fair value of such MBS would be expected to increase. If the fair value of MBS collateralizing our repurchase agreements decreases, we may receive margin calls from our repurchase agreement counterparties for additional MBS collateral or cash due to such decline. If such margin calls are not met, our lender could liquidate the securities collateralizing our repurchase agreements with such lender, potentially resulting in a loss to us. To avoid forced liquidations, we could apply a strategy of reducing borrowings and assets, by selling assets or not replacing securities as they amortize and/or prepay. Such an action would likely reduce our interest income, interest expense and net income, the extent of which would be dependent on the level of reduction in assets and liabilities as well as the price at which such assets are sold. Such a decrease in our net interest income could negatively impact cash available for dividend distributions, which in turn could reduce the market price of our issued and outstanding common stock and preferred stock. To date, we have satisfied all of our margin calls and have never sold assets in response to a margin call.

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In evaluating our asset/liability management and Non-Agency MBS credit performance, we consider the credit characteristics underlying our Non-Agency MBS, including those that are a component of our Linked Transactions. The following table presents certain information about our Non-Agency MBS portfolio and Non-Agency MBS underlying our Linked Transactions at March 31, 2011. Information presented with respect to weighted average loan to value, weighted average FICO scores and other information aggregated based on information reported at the time of mortgage origination are historical and, as such, does not reflect the impact of the general decline in home prices or changes in a borrower s credit score or the current use of the mortgaged property.

	Securities with Average Loan FICO of 715 or Higher(1)			Securities with Average Loan FICO Below 715(1)			
Year of Securitization (2) **(Dollars in Thousands)**	**2007**	**2006**	**2005 and Prior**	**2007**	**2006**	**2005 and Prior**	**Total**
Number of securities	70	80	84	12	17	27	290
MBS current face	$ 1,581,161	$ 1,148,456	$ 1,076,498	$ 203,628	$ 329,592	$ 254,202	$ 4,593,537
Gross purchase discounts	$ (370,547)	$ (344,259)	$ (207,324)	$ (90,093)	$ (132,767)	$ (53,092)	$ (1,198,082)
Purchase discount designated as Credit Reserve *(3)*	$ (327,421)	$ (262,427)	$ (136,621)	$ (84,089)	$ (118,148)	$ (40,500)	$ (969,206)
MBS amortized cost *(4)*	$ 1,194,386	$ 802,562	$ 865,377	$ 113,535	$ 172,847	$ 202,043	$ 3,350,750
MBS fair value	$ 1,260,593	$ 898,108	$ 906,015	$ 132,076	$ 202,319	$ 209,122	$ 3,608,233
Weighted average fair value to current face	79.7%	78.2%	84.2%	64.9%	61.4%	82.3%	78.6%
Weighted average coupon *(5)*	5.63%	5.15%	3.71%	4.73%	3.59%	4.35%	4.80%
Weighted average loan age (months) *(5) (6)*	50	58	71	49	58	74	59
Weighted average loan to value at origination *(5) (7)*	71%	71%	70%	74%	72%	70%	71%
Weighted average FICO score at origination *(5) (7)*	734	732	729	700	703	704	727
Owner-occupied loans	90.0%	89.0%	86.7%	81.6%	82.5%	83.2%	87.7%
Rate-term refinancings	25.8%	19.6%	16.6%	20.3%	14.4%	13.7%	20.4%
Cash-out refinancings	29.9%	30.3%	23.9%	36.1%	36.5%	36.2%	29.7%
3 Month CPR *(6)*	17.6%	17.2%	14.3%	13.4%	12.9%	12.9%	16.0%
3 Month CRR *(6) (8)*	11.5%	10.5%	9.8%	5.9%	4.4%	7.8%	9.9%
3 Month CDR *(6) (8)*	6.9%	7.5%	4.4%	7.9%	8.8%	5.5%	6.6%
60+ days delinquent *(7)*	22.0%	23.9%	16.6%	35.7%	33.5%	23.7%	22.7%
Weighted average credit enhancement *(7) (9)*	4.6%	6.0%	9.0%	7.1%	4.7%	16.0%	6.7%

(1) FICO score is a credit score used by major credit bureaus to indicate a borrower s creditworthiness. FICO scores are reported borrower FICO scores at origination for each loan.

(2) Certain of our Non-Agency MBS have been resecuritized. The historical information presented in the table is based on the initial securitization date and data available at the time of original securitization (and not the date of resecuritization). No information has been updated with respect to any MBS that have been resecuritized.

(3) Purchase discounts designated as Credit Reserve are not expected to be accreted into interest income.

(4) Amortized cost is reduced by cumulative OTTI recognized through earnings of $46.0 million.

(5) Weighted average is based on MBS current face at March 31, 2011.

(6) Information provided is based on loans for individual groups owned by us.

(7) Information provided is based on loans for all groups that provide credit enhancement for MBS with credit enhancement.

(8) CRR represents voluntary prepayments and CDR represents involuntary prepayments.

(9) Credit enhancement for a particular security is expressed as a percentage of all outstanding mortgage loan collateral. A particular security will not be subject to principal loss so long as its credit enhancement is greater than zero.

The mortgages securing our Non-Agency MBS are located in many geographic regions across the United States. The following table presents the six largest geographic concentrations of the mortgages collateralizing our Non-Agency MBS, including Non-Agency MBS underlying our Linked Transactions, at March 31, 2011:

Property Location	Percent
Southern California	28.8%
Northern California	18.4%
Florida	8.3%
New York	5.1%
Virginia	3.6%
New Jersey	2.9%

Liquidity Risk

The primary liquidity risk for us arises from financing long-maturity assets, including ARM-MBS that are subject to interim and lifetime interest rate adjustment caps, with shorter-term borrowings primarily in the form of repurchase agreements.

We pledge MBS and cash to secure our repurchase agreements, including repurchase agreements that are a component to our Linked Transactions, and Swaps. At March 31, 2011, we had a Cushion of $1.208 billion available to meet potential margin calls, comprised of cash and cash equivalents of $629.4 million, unpledged Agency MBS of $504.2 million and excess collateral of $74.5 million, which included securities of $17.7 million held as reverse collateral. Should the value of our MBS pledged as collateral suddenly decrease, margin calls relating to our repurchase agreements could increase, causing an adverse change in our liquidity position. As such, we cannot be assured that we will always be able to roll over our repurchase agreements. Further, should market liquidity tighten, our repurchase agreement counterparties may increase our margin requirements on new financings, including repurchase agreement borrowings that we roll with the same counterparty, reducing our ability to use leverage.

Credit Risk

Although we do not expect to encounter credit risk in our Agency MBS portfolio, we are exposed to credit risk in our Non-Agency MBS portfolio. In the event of the return of less than 100% of par on our Non-Agency MBS, credit support contained in the MBS deal structures and the discount purchase prices we paid mitigate our risk of loss on these investments. Our Non-Agency investment process involves comprehensive analysis focused primarily on quantifying and pricing credit risk. When we purchase Non-Agency MBS, we assign certain assumptions to each of the MBS, including but not limited to, future interest rates, voluntary prepayment rates, mortgage modifications, default rates and loss severities, and generally allocate a portion of the purchase discount as a Credit Reserve which provides credit protection for such securities. As part of our surveillance process, we review our Non-Agency MBS by tracking their actual performance compared to the security s expected performance at purchase or, if we have modified our original purchase assumptions, compared to our revised performance expectations. To the extent that actual performance of a Non-Agency MBS is less favorable than the expected performance of the security, we may revise our performance expectations. As a result, we could reduce the accretable discount on such security and/or recognize an other-than-temporary impairment through earnings, which could have a material adverse impact on our operating results.

Prepayment and Reinvestment Risk

Premiums arise when we acquire MBS at a price in excess of the principal balance of the mortgages securing such MBS (i.e., par value). Conversely, discounts arise when we acquire MBS at a price below the principal balance of the mortgages securing such MBS. Premiums paid on our MBS are amortized against interest income and accretable purchase discounts on our MBS are accreted to interest income. Purchase premiums on our MBS, which are primarily carried on our Agency MBS, are amortized against interest income over the life of each security using the effective yield method, adjusted for actual prepayment activity. An increase in the prepayment rate, as measured by the CPR, will typically accelerate the amortization of purchase premiums, thereby reducing the yield/interest income earned on such assets. Generally, if prepayments on our Non-Agency MBS are less than anticipated, we expect that the income recognized on such assets would be reduced and impairments could result.

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Item 4. Controls and Procedures

A review and evaluation was performed by our management, including our Chief Executive Officer (or CEO) and Chief Financial Officer (or CFO), of the effectiveness of the design and operation of our disclosure controls and procedures (as such term is defined in Rules 13a-15(e) and 15d-15(e) under the 1934 Act) as of the end of the period covered by this quarterly report. Based on that review and evaluation, the CEO and CFO have concluded that our disclosure controls and procedures, as designed and implemented, were effective as of March 31, 2011. Notwithstanding the foregoing, a control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that it will detect or uncover failures within the Company to disclose material information otherwise required to be set forth in our periodic reports.

There have been no changes in our internal control over financial reporting that occurred during the quarter ended March 31, 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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PART II. OTHER INFORMATION

Item 1. Legal Proceedings

There are no material pending legal proceedings to which we are a party or any of our assets are subject.

Item 1A. Risk Factors

Readers should carefully consider, in connection with the other information disclosed in this quarterly report on Form 10-Q, the risk factors disclosed in Item 1A-Risk Factors of our annual report on Form 10-K for the year ended December 31, 2010 (or the 2010 Form 10-K). Our risk factors could cause our actual results to differ materially from those stated in forward-looking statements contained in this quarterly report and elsewhere. The materialization of any risks and uncertainties identified in this quarterly report together with those previously disclosed in the 2010 Form 10-K or those that are presently unforeseen could result in significant adverse effects on our financial condition, results of operations and cash flows. See Item 2. Management s Discussion and Analysis of Financial Condition and Results of Operations Forward Looking Statements in this quarterly report.

Item 6. Exhibits

(a) Exhibits required by Item 601 of Regulation S-K

3.1 Amended and Restated Articles of Incorporation of the Registrant (incorporated herein by reference to Exhibit 3.1 of the Form 8-K, dated April 10, 1998, filed by the Registrant pursuant to the 1934 Act (Commission File No. 1-13991)).

3.2 Articles of Amendment to the Amended and Restated Articles of Incorporation of the Registrant, dated August 5, 2002 (incorporated herein by reference to Exhibit 3.1 of the Form 8-K, dated August 13, 2002, filed by the Registrant pursuant to the 1934 Act (Commission File No. 1-13991)).

3.3 Articles of Amendment to the Amended and Restated Articles of Incorporation of the Registrant, dated August 13, 2002 (incorporated herein by reference to Exhibit 3.3 of the Form 10-Q for the quarter ended December 31, 2002, filed by the Registrant pursuant to the 1934 Act (Commission File No. 1-13991)).

3.4 Articles of Amendment to the Amended and Restated Articles of Incorporation of the Registrant, dated December 29, 2008 (incorporated herein by reference to Exhibit 3.1 of the Form 8-K, dated December 29, 2008, filed by the Registrant pursuant to the 1934 Act (Commission File No. 1-13991)).

3.5 Articles of Amendment to the Amended and Restated Articles of Incorporation of the Registrant, dated January 1, 2010 (incorporated herein by reference to Exhibit 3.1 of the Form 8-K, dated December 31, 2009, filed by the Registrant pursuant to the 1934 Act (Commission File No. 1-13991)).

3.6 Articles Supplementary of the Registrant, dated April 22, 2004, designating the Registrant s 8.50% Series A Cumulative Redeemable Preferred Stock (incorporated herein by reference to Exhibit 3.4 of the Form 8-A, dated April 23, 2004, filed by the Registrant pursuant to the 1934 Act (Commission File No. 1-13991)).

3.7 Articles Supplementary of the Registrant, dated March 8, 2011, reclassifying and designating 75,000,000 shares of the Registrant s Excess Stock as Common Stock (incorporated herein by reference to Exhibit 3.1 of the Form 8-K, dated March 11, 2011, filed by the Registrant pursuant to the 1934 Act (Commission File No. 1-13991)).

3.8 Amended and Restated Bylaws of the Registrant (incorporated herein by reference to Exhibit 3.2 of the Form 8-K, dated December 29, 2008, filed by the Registrant pursuant to the 1934 Act (Commission File No. 1-13991)).

4.1 Specimen of common stock certificate of the Registrant (incorporated herein by reference to Exhibit 4.1 of the Registration Statement on Form S-4, dated February 12, 1998, filed by the Registrant pursuant to the 1933 Act (Commission File No. 333-46179)).

4.2 Specimen of stock certificate representing the 8.50% Series A Cumulative Redeemable Preferred

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Stock of the Registrant (incorporated herein by reference to Exhibit 4 of the Form 8-A, dated April 23, 2004, filed by the Registrant pursuant to the 1934 Act (Commission File No. 1-13991)).

10.1 Amended and Restated Employment Agreement of Stewart Zimmerman, dated as of June 7, 2010 (incorporated herein by reference to Exhibit 10.1 of the Form 8-K, dated June 8, 2010, filed by the Registrant pursuant to the 1934 Act (Commission File No. 1-13991)).

10.2 Amended and Restated Employment Agreement of William S. Gorin, dated as of December 10, 2008 (incorporated herein by reference to Exhibit 10.5 of the Form 8-K, dated December 12, 2008, filed by the Registrant pursuant to the 1934 Act (Commission File No. 1-13991)).

10.3 Amended and Restated Employment Agreement of Ronald A. Freydberg, dated as of December 10, 2008 (incorporated herein by reference to Exhibit 10.6 of the Form 8-K, dated December 12, 2008, filed by the Registrant pursuant to the 1934 Act (Commission File No. 1-13991)).

10.4 Amended and Restated Employment Agreement of Teresa D. Covello, dated as of December 31, 2009 (incorporated herein by reference to Exhibit 10.2 of the Form 8-K, dated January 4, 2010, filed by the Registrant pursuant to the 1934 Act (Commission File No. 1-13991)).

10.5 Amended and Restated Employment Agreement of Timothy W. Korth II, dated as of December 31, 2009 (incorporated herein by reference to Exhibit 10.1 of the Form 8-K, dated January 4, 2010, filed by the Registrant pursuant to the 1934 Act (Commission File No. 1-13991)).

10.6 Employment Agreement of Craig L. Knutson, dated as of July 1, 2009 (incorporated herein by reference to Exhibit 9.01 of the Form 8-K, dated August 27, 2009, filed by the Registrant pursuant to the 1934 Act (Commission File No. 1-13991)).

10.7 Amended and Restated 2010 Equity Compensation Plan, dated May 10, 2010 (incorporated herein by reference to Exhibit 10.1 of the Form 8-K, dated May 10, 2010, filed by the Registrant pursuant to the 1934 Act (Commission File No. 1-13991)).

10.8 Senior Officers Deferred Bonus Plan, dated December 10, 2008 (incorporated herein by reference to Exhibit 10.2 of the Form 8-K, dated December 12, 2008, filed by the Registrant pursuant to the 1934 Act (Commission File No. 1-13991)).

10.9 Second Amended and Restated 2003 Non-Employee Directors Deferred Compensation Plan, dated December 10, 2008 (incorporated herein by reference to Exhibit 10.3 of the Form 8-K, dated December 12, 2008, filed by the Registrant pursuant to the 1934 Act (Commission

File No. 1-13991)).

10.10 Form of Incentive Stock Option Award Agreement relating to the Registrant s Amended and Restated 2010 Equity Compensation Plan (incorporated herein by reference to Exhibit 10.9 of the Form 10-Q, dated September 30, 2004, filed by the Registrant pursuant to the 1934 Act (Commission File No. 1-13991)).

10.11 Form of Non-Qualified Stock Option Award Agreement relating to the Registrant s Amended and Restated 2010 Equity Compensation Plan (incorporated herein by reference to Exhibit 10.10 of the Form 10-Q, dated September 30, 2004, filed by the Registrant pursuant to the 1934 Act (Commission File No. 1-13991)).

10.12 Form of Restricted Stock Award Agreement relating to the Registrant s Amended and Restated 2010 Equity Compensation Plan (incorporated herein by reference to Exhibit 10.11 of the Form 10-Q, dated September 30, 2004, filed by the Registrant pursuant to the 1934 Act (Commission File No. 1-13991)).

10.13 Form of 2007 Phantom Share Award Agreement relating to the Registrant s 2004 Equity Compensation Plan (incorporated herein by reference to Exhibit 99.1 of the Form 8-K, dated October 23, 2007, filed by the Registrant pursuant to the 1934 Act (Commission File No. 1-13991)).

10.14 Form of 2010 Phantom Share Award Agreement (Time-Based Vesting) relating to the Registrant s Amended and Restated 2010 Equity Compensation Plan (incorporated herein by reference to Exhibit 10.14 of the Form 10-K, dated December 31, 2010, filed by the Registrant pursuant to the 1934 Act (Commission File No.1-13991)).

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10.15 Form of 2010 Phantom Share Award Agreement (Performance-Based Vesting) relating to the Registrant s Amended and Restated 2010 Equity Compensation Plan (incorporated herein by reference to Exhibit 10.15 of the Form 10-K, dated December 31, 2010, filed by the Registrant pursuant to the 1934 Act (Commission File No. 1-13991)).

31.1 Certification of the Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of the Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification of the Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification of the Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

101 Financial statements from the quarterly report on Form 10-Q of MFA Financial, Inc. for the quarter ended March 31, 2011, filed on May 3, 2011, formatted in XBRL: (i) the Consolidated Balance Sheets, (ii) Consolidated Statements of Operations, (iii) the Consolidated Statements of Comprehensive Income (iv) the Consolidated Statements of Changes in Stockholders Equity, (v) the Consolidated Statement of Cash Flows, and (vi) the Notes to the Consolidated Financial Statements tagged as blocks of text.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: May 3, 2011	MFA Financial, Inc.	
	By:	/s/ Stewart Zimmerman Stewart Zimmerman Chairman and Chief Executive Officer
	By:	/s/ Stephen D. Yarad Stephen D. Yarad Chief Financial Officer (Principal Financial Officer)
	By:	/s/ Teresa D. Covello Teresa D. Covello Senior Vice President and Chief Accounting Officer (Principal Accounting Officer)