Offering Circular Supplement
(To Offering Circular
Dated July 1, 2004)

Freddie Mac

Mortgage Participation Certificates

Effective in January, 2005, Freddie Mac may begin acquiring and pooling Mortgages that have these characteristics:

- Mortgages with loan-to-value ratios exceeding 95%.
- Initial Interest ARMs with interest only periods that are not equal in duration to their initial fixed-rate periods.

In addition, Freddie Mac may permit servicing fee rates on Mortgages it acquires to be below the levels it has previously required.

Accordingly, the Offering Circular is being amended as follows, effective immediately:

DESCRIPTION OF THE MORTGAGES — Mortgage Purchasing and Servicing Standards

The third paragraph under the caption "Mortgage Purchase Standards" on page 9 of the Offering Circular is replaced with the following:

In general, the Mortgages we purchase under the Guide may not have LTV ratios exceeding 95%. However, we may reduce or increase the required LTV ratios based on a number of factors, such as the borrower's intended use of Mortgage proceeds, the type of property securing the Mortgage, the existence of special financing arrangements and the market in which the mortgaged property is located. We may from time to time purchase and pool Mortgages having LTV ratios exceeding 95% in order to enable borrowers to purchase homes or refinance existing mortgages and pay certain related expenses. However, we currently do not expect to purchase and pool Mortgages with LTV ratios exceeding 105%.

The second paragraph under the caption "Mortgage Servicing Policies" on page 10 of the Offering Circular is amended by inserting the following sentences after the first sentence in that paragraph: "Our Guide generally requires that servicers retain a servicing fee of at least 0.25% of the principal balance of the Mortgages they service. However, we may permit lower servicing fee rates for certain servicers or PC Pools."

PREPAYMENT, YIELD AND SUITABILITY CONSIDERATIONS — PREPAYMENTS

The third paragraph under the caption "Prepayments" on page 20 of the Offering Circular is amended by inserting the following text as a new bullet point after the last bullet point in the text: "PC Pools containing Mortgages that are subject to servicing fee rates that are relatively low may experience different prepayment rates than PC Pools in which relatively high servicing fee rates predominate."

Offering Circular Supplement dated January 21, 2005

CERTAIN FEDERAL INCOME TAX CONSEQUENCES — Tax Status

The fourth paragraph under the caption "Tax Status" on page 27 of the Offering Circular is replaced with the following:

PCs generally will be considered to represent "real estate assets" within the meaning of Section 856(c)(5)(B) of the Code. Interest income from the PCs generally will be considered to represent "interest on obligations secured by mortgages on real property" within the meaning of Section 856(c)(3)(B) of the Code. In the event that a Mortgage has an LTV ratio in excess of 100% (that is, the amount of that Mortgage exceeds the fair market value of the real property securing it), the interest income on the excess portion of the Mortgage will not be "interest on obligations secured by mortgages on real property" within the meaning of Section 856(c)(3)(B) of the Code and such excess portion of the Mortgage will not be a "real estate asset" within the meaning of Section 856(c)(5)(B) of the Code. The excess portion should represent a "Government security" within the meaning of Section 856(c)(4)(A) of the Code. If a PC contains a Mortgage with an LTV ratio in excess of 100%, a holder that is a real estate investment trust should consult its tax advisor concerning the appropriate tax treatment of such excess portion.

TYPES OF MORTGAGES — Special Mortgage Characteristics

The text describing Initial Interest Mortgages on page II-4 in Appendix II of the Offering Circular is replaced with the following:

- **Initial Interest Mortgages** require monthly payments of accrued interest only on the principal balance of the Mortgage for a specified initial period, followed by fully amortizing monthly payments of principal and interest for the remaining term of the Mortgage. On fixed-rate Initial Interest Mortgages that we acquire, the initial interest only period generally will be for 15 years, followed by a 15-year fully amortizing period, or for 10 years, followed by a 20-year fully amortizing period, but other combinations are also possible. The Initial Interest ARMs that we acquire are non-convertible and generally have initial 3-, 5-, 7- and 10-year interest only periods followed by a fully amortizing period which, when combined with the initial interest only period, totals 30 years. Like other ARMs, the interest rate on an Initial Interest ARM adjusts periodically. The initial fixed-rate period of an Initial Interest ARM may or may not be equal in duration to its interest only period. Prepayments or partial prepayments can be made at any time without prepayment premiums. In the case of a partial prepayment during the interest only period, the borrower's monthly payment is reduced to reflect the reduced principal amount of the Mortgage.

Capitalized terms used in this Supplement have the meanings given to them in the Offering Circular.