ANNUAL HOUSING ACTIVITIES REPORT FOR 2008

FEDERAL HOME LOAN MORTGAGE CORPORATION

MARCH 16, 2009

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Introduction

Pursuant to § 307(f) of the Federal Home Loan Mortgage Corporation Act, as amended, 12 U.S.C. § 1456(f), the Federal Home Loan Mortgage Corporation (Freddie Mac) must annually submit a report on its activities to the Committee on Banking, Housing, and Urban Affairs of the Senate, the Committee on Financial Services of the House of Representatives and the Federal Housing Finance Agency (FHFA).

The following constitutes Freddie Mac's 2008 Annual Housing Activities Report to the Congress and FHFA under § 307(f) and the regulation at § 81.63, 24 C.F.R. § 81.63 (2006).[1]

Freddie Mac experienced a number of significant changes in its regulatory and supervisory environment in 2008 as a result of the enactment of the Federal Housing Finance Regulatory Reform Act of 2008 (Reform Act), which was signed into law on July 30, 2008 as part of the Housing and Economic Recovery Act of 2008, as well as its entry into conservatorship. The Reform Act consolidated regulation of Freddie Mac, the Federal National Mortgage Association (Fannie Mae) and the Federal Home Loan Banks into a single regulator, FHFA. Under the Reform Act, regulation of our mission was substantially transferred from the Department of Housing and Urban Development, or HUD, to FHFA. Our former safety and soundness regulator, the Office of Federal Housing Enterprise Oversight, or OFHEO, will remain in existence for a transition period of up to one year from the enactment of the Reform Act.

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[1] The statistical and financial information included in this report and in the tables attached to this report may not be comparable to information provided in Freddie Mac's public disclosure documents, including Monthly Volume Summaries and reports filed with the U.S. Securities and Exchange Commission, as the statistical and financial information included in this report and in the tables has been compiled and aggregated in accordance with specific regulatory guidelines.

The information presented in the exhibits (and described in the related discussion) is derived from, and qualified by reference to, certain tables included in Freddie Mac's 2008 Annual Mortgage Report (2008 AMR), which is being delivered to FHFA concurrently with this report. Some of the tables in the 2008 AMR are proprietary and not available to the general public.

A. Information Required Under § 307(f)(2)(A)

§ 307(f)(2)(A) requires that this report include, in aggregate form and by appropriate category, statements of the dollar volume and number of mortgages on owner-occupied and rental properties purchased which relate to each of the annual housing goals established under such subpart.

As set forth below, Freddie Mac is reporting that it did not achieve any of the 2008 annual housing goals or home purchase subgoals. Freddie Mac did exceed the 2008 Multifamily Special Affordable subgoal.[2]

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[2] Pursuant to § 1331(a) of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992, 12 U.S.C. § 4561(a), affordable housing goals (the housing goal or housing goals) are established for Freddie Mac and Fannie Mae (collectively, the GSEs) each year. These housing goals are:

- Low- and Moderate-Income Housing Goal (12 U.S.C. § 4562): An annual goal for the purchase of mortgages on housing for low- and moderate-income families. "Low-income families" are families with incomes at or below 80 percent of the area median income, and "moderate-income families" are families with incomes at or below 100 percent of the area median income.

- Central Cities, Rural Areas, and Other Underserved Areas Housing Goal (12 U.S.C. § 4564): An annual goal for the purchase of mortgages on housing located in central cities, rural areas and other underserved areas. "Central city" and "other underserved area" include a census tract, a Federal or State American Indian reservation or tribal or individual trust land, or the balance of a census tract excluding the area within any Federal or State American Indian reservation or tribal or individual trust land, having: (i) a median income at or below 120% of the median income of the metropolitan area and a minority population of 30% or greater; or (ii) a median income at or below 90% of median income of the metropolitan area. "Rural area" is a whole census tract, a Federal or State American Indian reservation or tribal or individual trust land, or the balance of a census tract excluding the area within any Federal or State American Indian reservation or tribal or individual trust land, having (i) a median income at or below 120% of the greater of the State non-metropolitan median income or the nationwide non-metropolitan median income and a minority population of 30% or greater; or (ii) a median income at or below 95% of the greater of the State non-metropolitan median income or nationwide non-metropolitan median income. In addition, “underserved area” includes any Federal or State American Indian reservation or tribal or individual trust land that includes land that is both within and outside of a metropolitan area and that is designated as an underserved area by HUD (now, FHFA).

- Special Affordable Housing Goal (12 U.S.C. § 4563): An annual goal for the purchase of mortgages on rental and owner-occupied housing for low-income families in low-income areas and for very low-income families. "Low-income areas" are census tracts in which the median area income does not exceed 80 percent of the area median income, and "very low-income families" are families with incomes at or below 60 percent of the area median income.

The housing goals are expressed in percentage terms, as the minimum percentage of the total eligible housing units financed by a GSE's mortgage purchases in a particular year, and include units financed by the GSE's purchase of both single-family and multifamily mortgages. Housing units may count towards more than one housing goal category. In addition, both purchase and refinance mortgages count toward the housing goals. In this report, we generally discuss our performance on the housing goals in terms of units, not mortgages, as we track and measure our performance on the housing goals in terms of units.

Under section 1336(b)(2) of Federal Housing Enterprises Financial Safety and Soundness Act of 1992 (FHEFSSA), as amended by the Reform Act, Freddie Mac may submit any written information appropriate for consideration by FHFA in making a final determination under section 1336(b)(3) as to whether the achievement of the housing goals was feasible. In January 2009, Freddie Mac submitted an infeasibility analysis to FHFA demonstrating that the 2008 housing goals and home purchase subgoals were infeasible, given market and economic conditions, as well as Freddie Mac's financial condition.

Freddie Mac's performance on the annual housing goals and the multifamily special affordable target subgoal for 2008:

In 2008, Freddie Mac purchased over 1.8 million mortgages on single-family properties, and over 1,800 mortgages on multifamily properties.[3]

<u>Low- and Moderate-Income Goal</u>

51.50 percent of the units financed by Freddie Mac's mortgage purchases in 2008 were for low- and moderate-income families. These purchases totaled $120.6 billion in unpaid principal balance and financed over 1.1 million units. The low- and moderate-income housing goal for 2008 was 56 percent of the total number of units financed by our mortgage purchases.

<u>Underserved Areas Goal</u>

37.73 percent of the units financed by Freddie Mac's mortgage purchases in 2008 were located in underserved areas. These purchases totaled $109.9 billion in unpaid principal balance and financed over 836,000 units. The underserved areas goal for 2008 was 39 percent of the total number of units financed by our mortgage purchases.

HUD regulations that were published in 2004 and took effect in 2005 established home purchase subgoals under each of the housing goals. The home purchase subgoals apply specifically to mortgages that finance the purchase (not refinance) of single-family, owner-occupied properties located in metropolitan areas. The home purchase subgoals are expressed as percentages of the total number of mortgages purchased by the GSEs that finance the purchase (not refinance) of single-family, owner-occupied properties located in metropolitan areas.

In addition, the 1995 HUD regulations established a special affordable multifamily subgoal under the Special Affordable housing goal. The multifamily subgoal sets a minimum dollar volume of qualifying multifamily mortgage purchases that each GSE must meet annually.

[3] The vast majority of these single-family and multifamily mortgages funded "eligible housing units" for purposes of the housing goals, and thus were used as the basis for calculating our performance on the housing goals. See Table 1 of the 2008 AMR for more information.

Special Affordable Housing Goal and Multifamily Special Affordable Target

23.03 percent of the units financed by Freddie Mac's mortgage purchases in 2008 were for low-income families in low-income areas or to very low-income families. These purchases totaled $39.7 billion in unpaid principal balance and financed over 508,000 units. The special affordable housing goal for 2008 was 27 percent of the total number of units financed by our mortgage purchases.

In addition, $7.7 billion of the multifamily mortgages purchased by Freddie Mac in 2008 were qualifying multifamily mortgage purchases for the multifamily special affordable subgoal, financing over 186,000 units. This was more than $3.7 billion above the 2008 requirement of $3.92 billion of qualifying multifamily mortgage purchases.

Freddie Mac's performance on the home purchase subgoals for 2008:

In 2008, Freddie Mac purchased over 550,000 single-family, owner-occupied home purchase mortgages located in metropolitan statistical areas.[4]

Low- and Moderate-Income Subgoal

39.40 percent of the single-family, owner-occupied home purchase mortgages financed by Freddie Mac during 2008 were for low- and moderate-income families. These purchases consisted of over 216,000 mortgages. The low- and moderate-income subgoal for 2008 was 47 percent of the total number of single-family, owner-occupied home purchase mortgages financed by Freddie Mac.

Underserved Areas Subgoal

30.25 percent of the single-family, owner-occupied home purchase mortgages financed by Freddie Mac during 2008 were in underserved areas. These purchases consisted of over 166,000 mortgages. The underserved areas subgoal for 2008 was 34 percent of the total number of single-family, owner-occupied home purchase mortgages financed by Freddie Mac.

Special Affordable Housing Subgoal

15.10 percent of the single-family, owner-occupied home purchase mortgages financed by Freddie Mac during 2008 were for low-income families in low-income areas or to very low-income families. These purchases consisted of over 83,000 mortgages. The special affordable housing subgoal for 2008 was 18 percent of the total number of single-family, owner-occupied home purchase mortgages financed by Freddie Mac.

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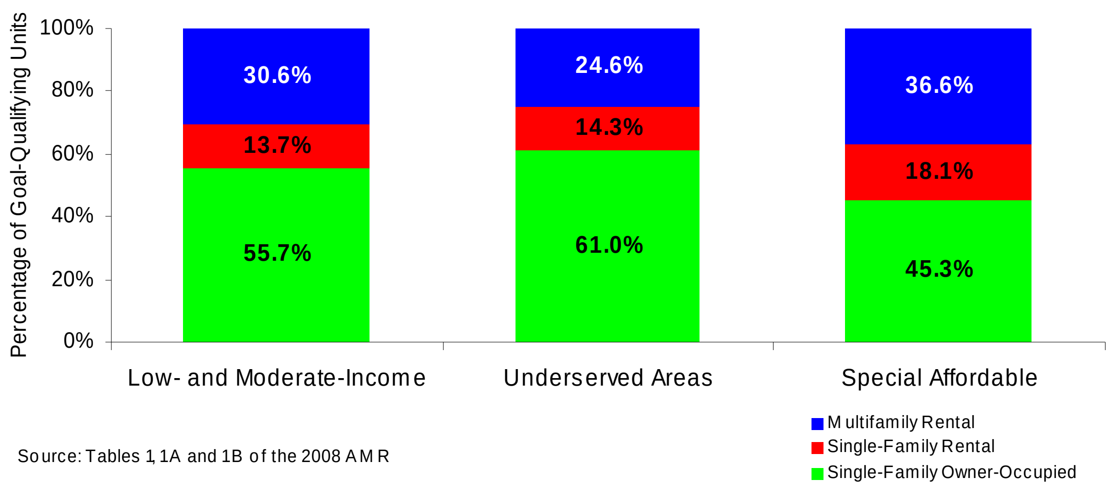
[4] The vast majority of these mortgages were eligible mortgages for purposes of the home purchase subgoals, and thus were used as the basis for calculating our performance on the subgoals. See Tables 1 and 1A of the 2008 AMR for more information.

Housing Goal Purchases by Property Type

Freddie Mac's 2008 mortgage purchases supported a range of affordable housing opportunities for America's families. As illustrated in Exhibit A-1, a significant portion of the mortgages purchased by Freddie Mac that qualified for the housing goals financed rental units. Approximately 44.3 percent of the total units qualifying for the low- and moderate-income housing goal were rental units (both single-family rental and multifamily rental). Multifamily units (properties with five or more units) represented 30.6 percent of the total units meeting the goal, while rental units in single-family properties represented 13.7 percent. Rental properties represented 39.0 percent of the total units qualifying for the underserved areas housing goal and 54.7 percent of the total units meeting the special affordable housing goal.

Exhibit A-1:
Freddie Mac's 2008 Housing Goals Purchases by Property Type



Source: Tables 1, 1A and 1B of the 2008 AMR

Exhibit A-2 shows for each affordable housing goal category the dollar volume of goal-qualifying mortgages that Freddie Mac purchased in 2008, and the number of units financed by goal-qualifying mortgages.

Exhibit A-2:

Freddie Mac's 2008 Mortgage Purchases Meeting Affordable Housing Goals

	Low- and Moderate-Income Housing Goal		**Underserved Areas Housing Goal**		**Special Affordable Housing Goal**	
	Volume ($ Billions)	Units Financed	Volume ($ Billions)	Units Financed	Volume ($ Billions)	Units Financed
Single-Family	$102.2	787,230	$98.4	630,490	$32.1	321,942
Owner-Occupied	$86.6	632,016	$85.4	510,619	$24.5	230,041
Rental	$15.5	155,213	$13.0	119,871	$7.6	91,900
Multifamily Rental	$18.5	346,984	$11.5	206,026	$7.7	186,126
Total	**$120.6**	**1,134,214**	**$109.9**	**836,516**	**$39.7**	**508,067**

Source: Tables 1, 1A and 1B of the 2008 AMR

Notes:

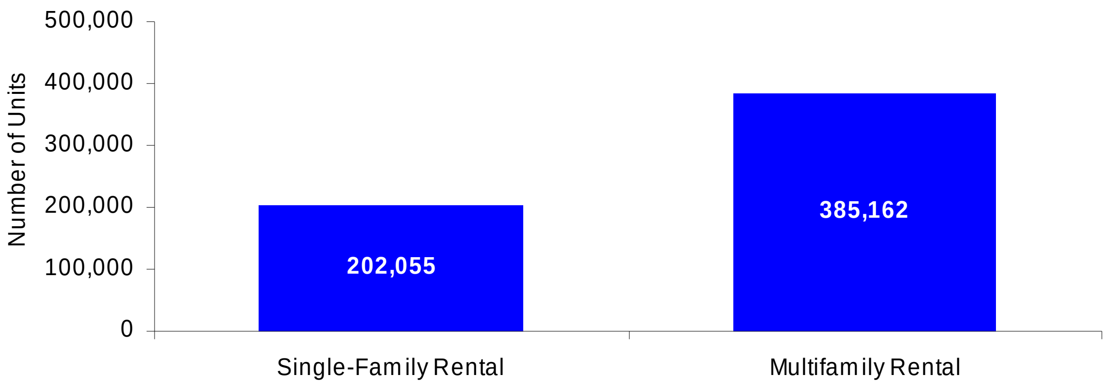
1. Owner-occupied units with missing income information and rental units with missing rent information are not included in the single-family dollar volumes.
2. Single-family rental consists of rental units in investor-owned properties with 1 to 4 rental units and owner-occupied properties with 1 to 3 rental units.
3. Columns may not sum due to rounding.

B. Information Required Under § 307(f)(2)(B)

§ 307(f)(2)(B) requires that this report include, in aggregate form and by appropriate category, statements of the number of families served by the Corporation, the income class, race, and gender of homebuyers served, the income class of tenants of rental housing (to the extent such information is available), the characteristics of the census tracts, and the geographic distribution of the housing financed.

Freddie Mac's mortgage purchases during 2008 financed an aggregate of 2,324,377 units of housing, consisting of 1,737,160 units of owner-occupied housing and 587,217 units of rental housing.[5] As shown in Exhibit B-1, Freddie Mac's purchases of mortgages funding rental housing supported 202,055 rental units (34.4 percent) in single-family properties and 385,162 rental units (65.6 percent) in multifamily properties.

Exhibit B-1:
Freddie Mac's 2008 Mortgage Purchases
Support Single-Family and Multifamily Rental Opportunities



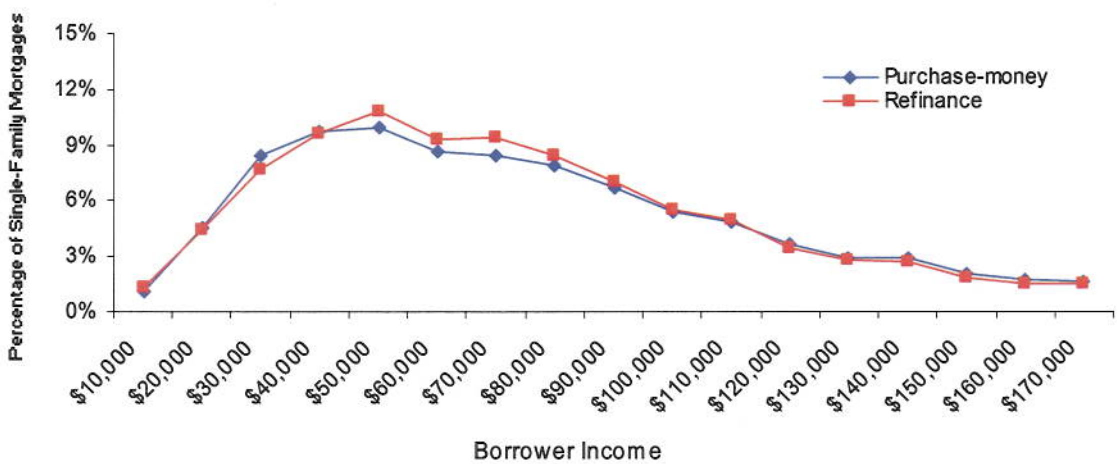
Source: Tables 1 and 1B of the 2008 AMR

[5] The term "housing units" generally refers to a property or a portion thereof intended for use as a dwelling for one or more persons. In this report, we generally assume that a family would occupy one housing unit.

Low- and Moderate-Income Homeowners

Through its mortgage purchases, Freddie Mac finances mortgages for families across a broad income spectrum. As shown in Exhibit B-2, the income range for approximately 93 percent of the families whose single-family home purchase mortgages or refinance mortgages were acquired by Freddie Mac in 2008 was between $10,000 and $200,000. The median income of families whose home purchase mortgages were purchased by Freddie Mac was $79,200; the median income of families whose refinance mortgages were purchased by Freddie Mac was $77,100.

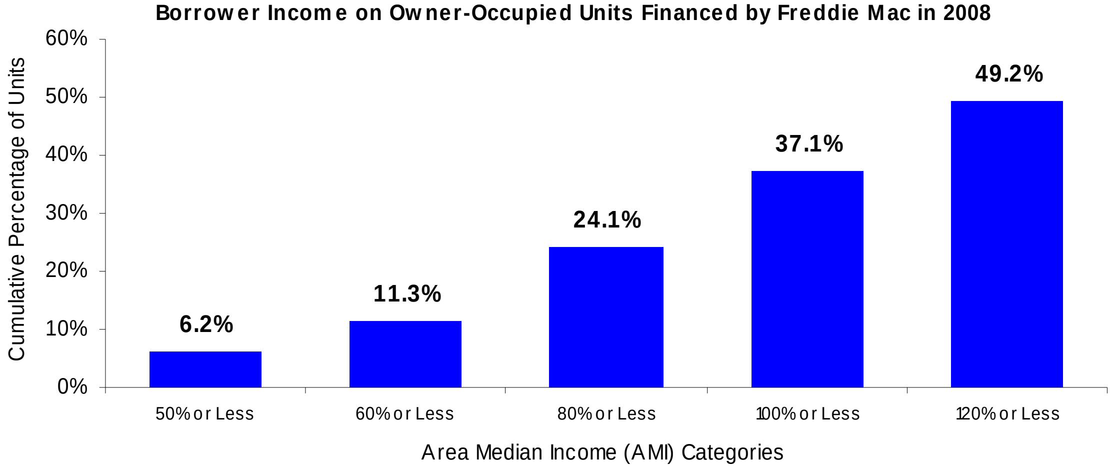
Exhibit B-2:
Freddie Mac Serves Borrowers of All Incomes
Borrower Income of 2008 Single-Family, Owner-Occupied Mortgage Purchases



Source: Freddie Mac internal data

During 2008, Freddie Mac purchased single-family mortgages supporting 1.7 million owner-occupied units of housing. As can be seen from Exhibit B-3, 37.1 percent (608,641 units) were attributable to families with incomes at or below 100 percent of the area median income, 24.1 percent (396,320 units) were attributable to families whose incomes were 80 percent or less of the local area median income, and 6.2 percent (101,782 units) were attributable to families whose incomes were 50 percent or less of the local area median income.[6]

Exhibit B-3:
Freddie Mac Supports Affordable Homeownership
Borrower Income on Owner-Occupied Units Financed by Freddie Mac in 2008



Source: Table 2 of the 2008 AMR

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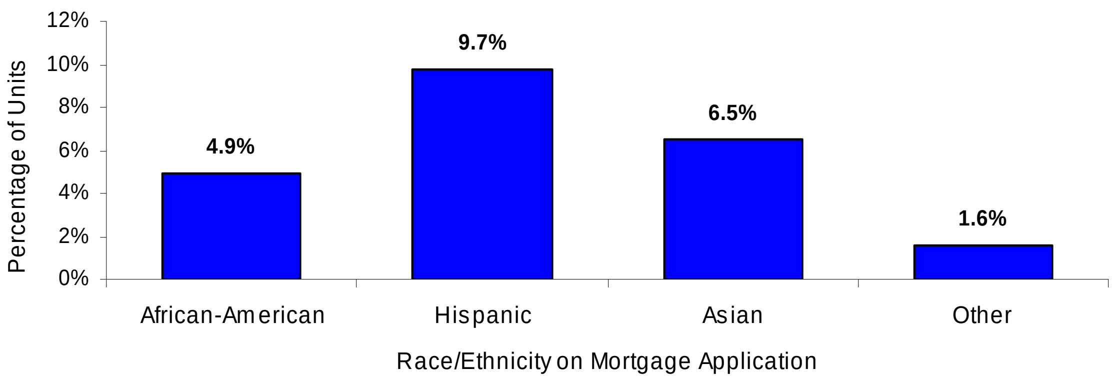
[6] We do not have borrower income information with respect to 5.5 percent (95,850) of the owner-occupied units in the single-family mortgages financed in 2008. Therefore, we excluded those units from the calculations underlying the information presented in this section and in Exhibit B-3.

Racially and Ethnically Diverse Families

In 2008, Freddie Mac's single-family mortgage purchases financed homes for 340,960 minority families. This included 150,388 families with a Hispanic borrower or co-borrower, 76,620 families who classified their race as African-American, 100,770 families who classified their race as Asian, and 25,229 families from other minority groups.[7] Freddie Mac's purchases of mortgages made to minority families during 2008 comprised 22.4 percent of our single-family mortgage purchases for which the race and/or ethnicity of the borrower was known.[8] Exhibit B-4 illustrates the breakdown of 2008 single-family mortgage purchases among minority groups.

Exhibit B-4:
Freddie Mac's 2008 Purchase Rate of Single-Family Minority Mortgages
Race/Ethnicity of Minority Borrowers



Source: Tables 7A and 7B of the 2008 AMR.

Note: The "Other" category includes American Indian or Alaskan Native, Native Hawaiian or Other Pacific Islander, loans that have white and minority co-borrowers, and loans where a borrower defines him or herself to be of two or more races.

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[7] The Hispanic borrower category overlaps with other minority categories, since borrowers may define themselves to be of Hispanic ethnicity and also belong to one or more racial classifications. Therefore, the sum of the individual classifications presented in this sentence (353,007 minority families) exceeds the total minority count of 340,960 minority families.

[8] Minority shares exclude mortgages where (a) ethnicity is non-Hispanic and race is missing, (b) race is White and ethnicity is missing, or (c) both race and ethnicity are missing. Because of missing race or ethnicity data, we excluded 21.7 percent (420,175) of the units in the single-family mortgages we purchased in 2008 from the calculations underlying the information presented in this section and in Exhibit B-4.

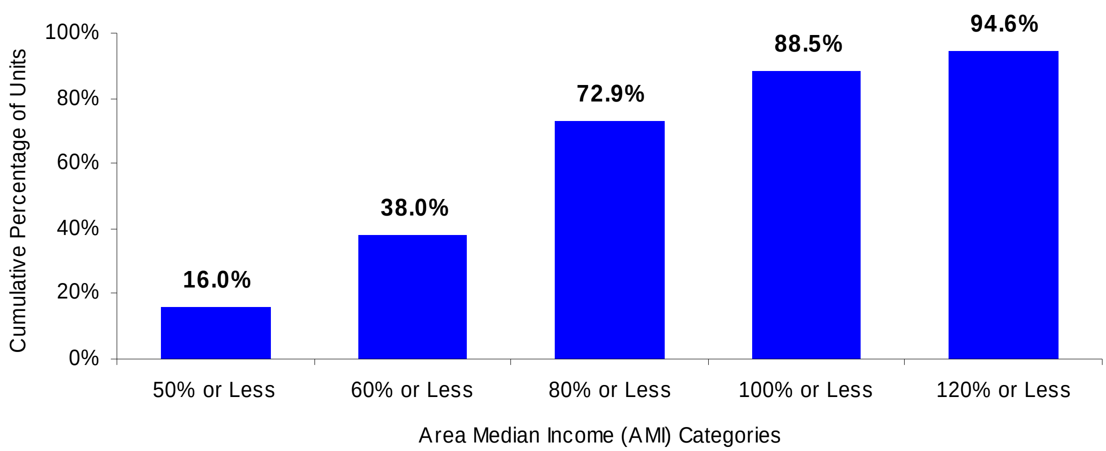
Borrowers by Gender

In 2008, 47.9 percent of the single-family mortgages purchased by Freddie Mac financed homes with one male and one female co-borrower, 30.1 percent financed homes for a male borrower (or male co-borrowers), and 22.0 percent financed homes for a female borrower (or female co-borrowers).[9]

Affordable Rental Opportunities

As demonstrated in Exhibit B-5, 88.5 percent, or 475,266, of the rental units in the properties underlying the single-family and multifamily mortgages purchased by Freddie Mac in 2008 had rent levels affordable to families making 100 percent or less of the local area median income. In particular, 16.0 percent (85,664 units) had rent levels affordable to families making 50 percent or less of the local area median income, and 72.9 percent (391,470 units) had rent levels affordable to families making 80 percent or less of the local area median income.[10]

Exhibit B-5:
Freddie Mac Supports Affordable Rental Properties



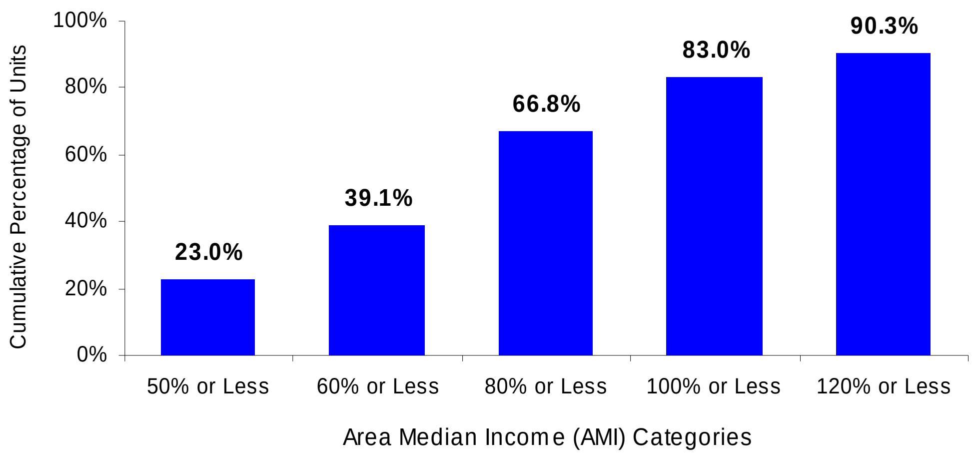
Source: Tables 3 and 4 of the 2008 AMR

[9] We do not have information on the borrower's gender with respect to 14.5 percent (280,830) of the units in the single-family mortgages we purchased. Therefore, we excluded those mortgages from the calculations underlying the information presented in this section.
[10] We do not have rent information with respect to 8.5 percent (49,682) of the rental units related to single-family and multifamily mortgages we purchased in 2008. Therefore, we excluded those units from the calculations underlying the information presented in this section and in Exhibit B-5.

In 2008, Freddie Mac purchased mortgages for single-family rental properties (involving properties with between one and four rental units) with an unpaid principal balance of $24.1 billion, of which more than $3.6 billion financed owner-occupied properties (27,914 units) and nearly $20.5 billion financed investor-owned properties (174,141 units).

As indicated in Exhibit B-6, of the single-family rental units financed by Freddie Mac in 2008 for which rental information is available, 83.0 percent (143,669 units) had rent levels affordable to families making 100 percent or less of the local area median income. In particular, 23.0 percent (39,739 units) were affordable to families with incomes at or below 50 percent of the area median income, and 66.8 percent (115,684 units) were affordable to families with incomes at or below 80 percent of median income.[11]

Exhibit B-6:
Freddie Mac Supports Affordable Single-Family Rental Units
Rent Affordability of Units Financed by Freddie Mac's 2008 Single-Family Purchases



Source: Table 3 of the 2008 AMR

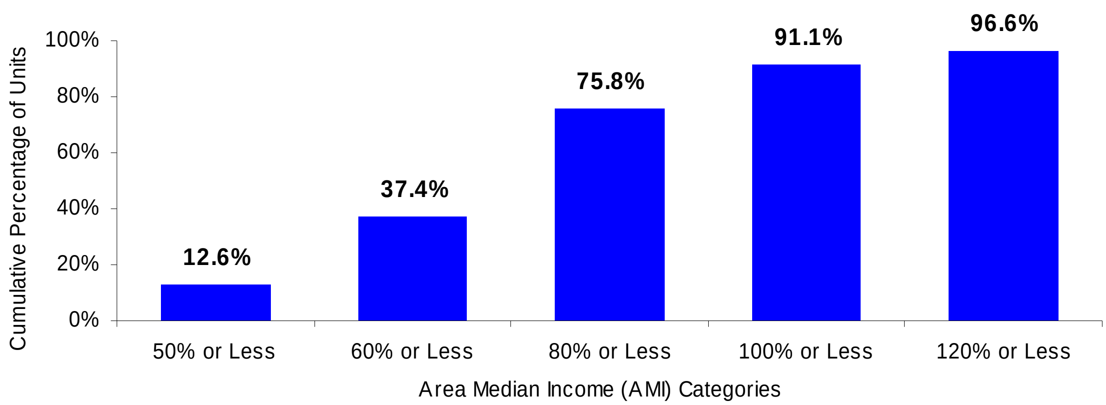
[11] We do not have rent information with respect to 14.3 percent (28,981) of the rental units in the single-family mortgages we purchased in 2008. Therefore, we excluded those units from the calculations underlying the information presented in this section and in Exhibit B-6.

In 2008, Freddie Mac's multifamily mortgage purchases and guarantee activities (involving properties with five or more rental units) totaled approximately $23.0 billion[12] ($18.7 billion of mortgage purchases and $4.4 billion in credit enhancements, risk sharing, and securities purchases). Through multifamily mortgage purchases and guarantee activities, Freddie Mac helps make rental housing affordable to very low-, low- and moderate-income households.

Our multifamily activities financed 385,162 units of rental housing in 2008. Of the multifamily rental units for which Freddie Mac has rental information, 91.1 percent were affordable to renters with incomes at or below the median income for their residential area.[13]

As illustrated in Exhibit B-7, of the multifamily units Freddie Mac financed in 2008 for which rental information was available, 12.6 percent were affordable to families with incomes at or below 50 percent of the area median income. Cumulatively, 75.8 percent of our multifamily units were affordable to families with incomes at or below 80 percent of median income. As indicated above, our multifamily financing activities in 2008 included the purchase of $7.7 billion in mortgages meeting the criteria for the multifamily special affordable target (multifamily mortgages serving low-income families living in low-income neighborhoods or very low-income families).

Exhibit B-7:
Freddie Mac Supports Affordable Multifamily Rental Units
Rent Affordability of Units Financed by Freddie Mac's 2008 Multifamily Purchases



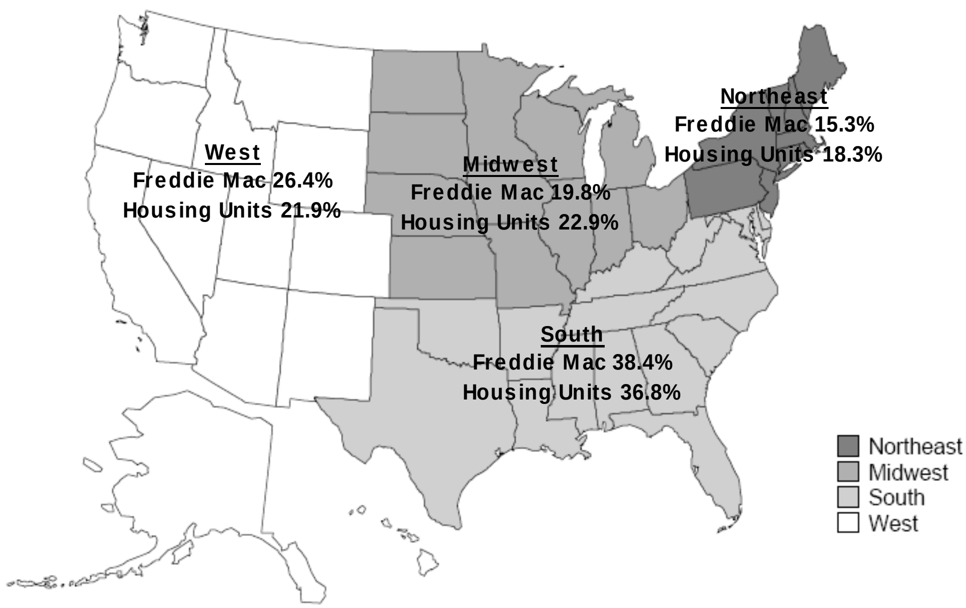
Source: Table 4 of the 2008 AMR

[12] This number excludes multifamily mortgage purchases and guarantee activities that are not eligible to count for the housing goals.
[13] We do not have rent information with respect to 5.3 percent (20,524) of the rental units in the multifamily mortgages we purchased in 2008. Therefore, we excluded those units from the calculations underlying the information presented in this section and in Exhibit B-7.

Serving Families Nationwide

Freddie Mac's nationwide network of lenders enables us to serve families all over the United States. As shown in Exhibit B-8, the housing units financed by Freddie Mac's 2008 mortgage purchases were distributed across the U.S. in similar proportions to the distribution of the stock of occupied housing units, as measured by the 2007 American Community Survey of the U.S. Census. The difference between the distribution of housing units financed by Freddie Mac's mortgage purchases in 2008 and the overall housing stock distribution in 2007 is due, in part, to differences in mortgage market activity between regions and regional variation in Freddie Mac's share of the housing units financed in 2008.[14]

Exhibit B-8:
Freddie Mac Serves Homeowners Across the Nation
Freddie Mac's 2008 Mortgage Units Compared to 2007 Occupied Housing Units by Census Region

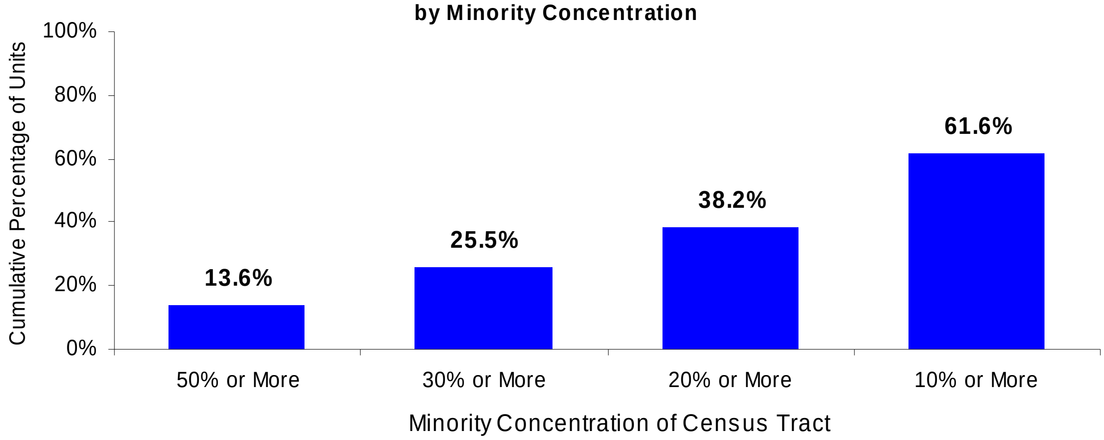


Source: Freddie Mac data from Table 14 of the 2008 AMR and Housing Unit data from 2007 American Community Survey. Does not include Puerto Rico, Guam or U.S. Virgin Islands.

[14] In this section, we use the 2007 distribution of housing stock as a benchmark for our performance, because a direct measure of the overall mortgage market for 2008 is not available as of the date of this report.

In 2008, Freddie Mac purchased mortgages supporting owner-occupied and rental housing in a variety of neighborhoods. For owner-occupied housing, as illustrated in Exhibit B-9, 13.6 percent of the owner-occupied units financed by Freddie Mac in 2008 were located in census tracts in which 50 percent or more of the residents were minorities, as measured by the 2000 U.S. Census. A total of 61.6 percent of the units financed by Freddie Mac were located in census tracts in which at least 10 percent of the residents were minorities.

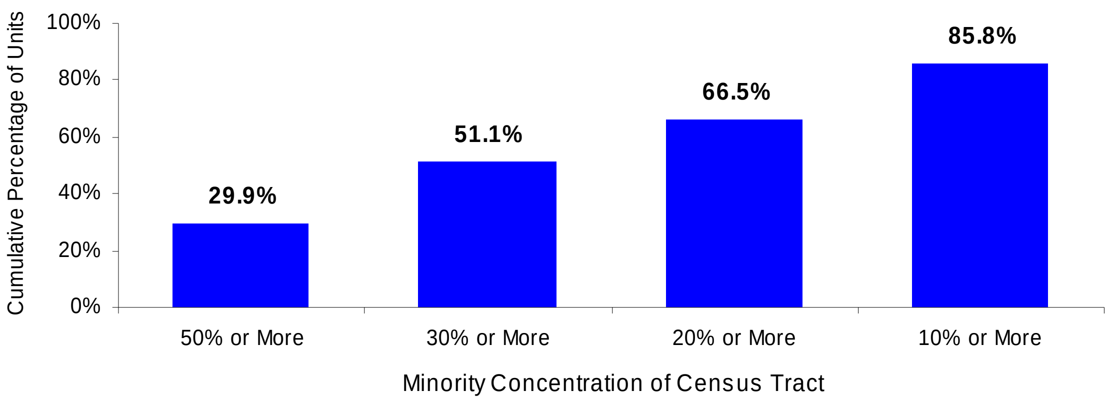
Exhibit B-9:
Freddie Mac's Purchases Support Homeownership in Diverse Neighborhoods
Location of Freddie Mac's 2008 Single-Family, Owner-Occupied Purchases by Minority Concentration



Source: Table 11 of the 2008 AMR

For rental housing, as illustrated in Exhibit B-10, about 29.9 percent of the single-family and multifamily rental units financed by Freddie Mac during 2008 were located in census tracts in which 50 percent or more of the residents were minorities as measured by the 2000 U.S. Census. Approximately 85.8 percent of the rental units financed by Freddie Mac were located in census tracts in which at least 10 percent of the residents were minorities.

Exhibit B-10:
Freddie Mac's Purchases Support Rental Units in Diverse Neighborhoods
Location of Freddie Mac's 2008 Rental Properties by Minority Concentration



Source: Table 12 of the 2008 AMR

C. Information Required Under § 307(f)(2)(C)

§ 307(f)(2)(C) requires that this report include a statement of the extent to which the mortgages purchased by the Corporation have been used in conjunction with public subsidy programs under federal law.

In 2008, Freddie Mac purchased or guaranteed mortgages that had been used in conjunction with multiple federal public subsidy programs including approximately:

- $490.9 million in unpaid principal balance for loans guaranteed by the Federal Housing Administration (FHA), financing approximately 6,000 units;

- $79.4 million in unpaid principal balance for loans guaranteed by the Veteran Administration (VA), financing approximately 500 units;

- $231.5 million in unpaid principal balance for the U.S. Department of Agriculture's Guaranteed Rural Housing loans, financing approximately 2,600 units; and

- $682.8 million in unpaid principal balance for mortgages financed by Mortgage Revenue Bonds (MRBs) issued by various state and local housing finance agencies (HFAs), financing approximately 5,000 units. For additional details, refer to the subsection titled Mortgage Revenue Bonds and Housing Finance Agencies in Section K.

In addition, $5.5 billion of Freddie Mac multifamily targeted affordable business used in conjunction with public subsidy programs, including tax exempt bonds, Section 8 and Section 236, is described in the subsections titled National Trends in the Primary and Secondary Multifamily Mortgage Markets and Targeted Affordable Mortgage Products in Section H.

D. Information Required Under § 307(f)(2)(D)

> *§ 307(f)(2)(D) requires that this report include statements of the proportion of mortgages on housing consisting of 1 to 4 dwelling units purchased by the Corporation that have been made to first-time homebuyers, as soon as providing such data is practicable, and identifying any special programs (or revisions to conventional practices) facilitating homeownership opportunities for first-time homebuyers.*

In 2008, Freddie Mac purchased 208,563 mortgages of first-time homebuyers, representing 34.7 percent of the owner-occupied, purchase money mortgages for which information on the borrower's ownership history is available.[15] Freddie Mac acquired 79.1 percent of the first-time homebuyer purchase money mortgages under our standard processes, while 20.9 percent were acquired through special initiatives such as Home Possible.®

The Home Possible suite of mortgage products includes many of the home-ownership features that Freddie Mac has successfully tested over the last several years and provides them in one group of products available to all of our customers. These products reduce barriers to homeownership by reducing the minimum down payment requirement and providing flexible credit and payment terms. Home Possible's features also make it a viable product for assisting borrowers with little equity who need to refinance out of subprime loans or loans subject to substantial rate increases. In 2008, Freddie Mac purchased over $5.55 billion in mortgages through the Home Possible suite of products and similar lender-branded or negotiated affordable offerings.

[15] We do not have information on the borrower's ownership history for 1.8 percent (11,322) of the single-family, owner-occupied, purchase money mortgages we purchased in 2008. Therefore, we excluded those mortgages from the calculations underlying the information presented in this section.

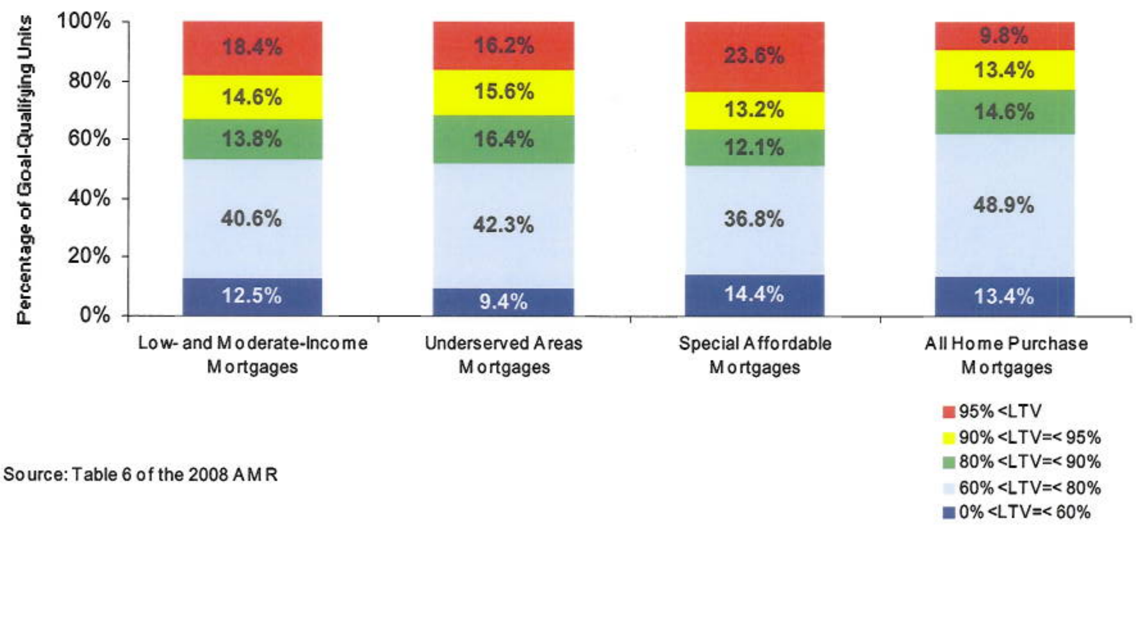
E. Information Required Under § 307(f)(2)(E)

§ 307(f)(2)(E) requires that this report include, in aggregate form and by appropriate category, the data provided to the Director of FHFA under subsection (e)(1)(B) [loan-to-value ratios of purchased mortgages at the time of origination].

Approximately 78.1 percent of the total single-family, owner-occupied purchase money and refinance mortgages acquired by Freddie Mac in 2008 had an LTV of 80 percent or less at the time of origination. Mortgages with an LTV of between 80 percent and 95 percent constituted 17.7 percent of the single-family, owner-occupied mortgages acquired in 2008. Mortgages with an LTV of over 95 percent constituted 4.1 percent of the single-family, owner-occupied mortgages acquired in 2008.

Focusing specifically on home purchase mortgages, Exhibit E-1 compares the LTV distribution on the goal-qualifying, single-family home purchase mortgages acquired by Freddie Mac in 2008 with the LTV distribution on all single-family home purchase mortgages acquired by Freddie Mac in 2008 (in each case, as measured at the time of origination).

Exhibit E-1:
Goal Qualifying Mortgages Have Higher LTVs
Loan-to-Value Ratio of Freddie Mac's 2008 Home Purchase Mortgage Acquisitions



Source: Table 6 of the 2008 AMR

F. Information Required Under § 307(f)(2)(F)

§ 307(f)(2)(F) requires that this report compare the level of securitization versus portfolio activity.

During the year ended December 31, 2008, Freddie Mac purchased $390 billion of mortgages and mortgage-related securities, excluding $70 billion of non-Freddie Mac mortgage-related securities, which Freddie Mac retained for investment in our mortgage-related investments portfolio (formerly referred to as our retained portfolio) on our balance sheet. Freddie Mac had securitization issuance of $351.8 billion in the form of our guaranteed Participation Certificates (PCs) and Structured Securities during 2008. In addition, Freddie Mac issued other mortgage credit guarantees totaling $6.0 billion in 2008.

As of December 31, 2008, approximately $1.8 trillion of securitized assets in the form of our PCs and Structured Securities were outstanding in the global capital markets. Of this amount, Freddie Mac held $424.5 billion in our mortgage-related investments portfolio, or 23 percent of the total guaranteed PCs and Structured Securities issued. At December 31, 2008, the total unpaid principal balance of our mortgage-related investments portfolio was approximately $805 billion, an increase of approximately 12 percent compared to year-end 2007.

The information presented above is derived from our December 2008 Monthly Volume Summary (MVS), and is subject to the qualifications set forth therein. The December 2008 MVS is unaudited and subject to change. For more information, please see the December 2008 MVS, which can be found at the following location: http://www.freddiemac.com/investors/volsum/pdf/1208mvs.pdf. A glossary of selected terms used in the December 2008 MVS can be found at the following location: http://www.freddiemac.com/investors/volsum/glossary.html.

G. Information Required Under § 307(f)(2)(G)

§ 307(f)(2)(G) requires that this report assess underwriting standards, business practices, repurchase requirements, pricing, fees, and procedures, that affect the purchase of mortgages for low- and moderate-income families, or that may yield disparate results based on the race of the borrower, including revisions thereto to promote affordable housing or fair lending.[16]

Underwriting Standards, Credit Policies and Other Business Practices

Freddie Mac continues to seek ways of increasing access to sustainable homeownership opportunities. To that end, Freddie Mac constantly evaluates market conditions, the credit environment, and the performance of our mortgage purchases to ensure that our underwriting standards, policies and business practices serve our mission to provide liquidity and stability to the conforming mortgage market.

In 2008, the severe credit crisis that began in 2007 worsened. The rate of mortgage delinquencies and foreclosures increased rapidly, while the values of homes continued to fall. In the face of this credit crisis, Freddie Mac took additional steps designed to reduce or eliminate higher-risk credit terms, reduce the level of risk layering in the mortgages Freddie Mac purchases, provide mortgage credit risk leadership in the marketplace, and help lenders make mortgage financing available at terms that are more likely to lead to successful homeownership.

Accordingly, Freddie Mac significantly tightened our requirements on mortgages that allow less than full documentation of income and assets. Freddie Mac eliminated no income, no asset mortgages, as well as no ratio mortgages. Initially, Freddie Mac also raised the minimum FICO score for loans with stated income and stated assets to 680 and would, later in the year, eliminate stated income and stated asset mortgages entirely.

Freddie Mac took a comprehensive look at the maximum LTV ratios on our mortgage purchases. Based on the poorer performance of mortgages with high LTVs, Freddie Mac made several reductions to our maximum LTV. Among these were reductions to the maximum LTV of most Home Possible mortgages to 97 percent, reduction of the maximum LTV for manually underwritten mortgages to 95 percent, and the elimination of 100 percent LTV financing (e.g., Alt 100, 80/20 mortgages, etc.). Freddie Mac continued to allow a maximum LTV of 100 percent on Home Possible mortgages with FICO scores greater than 700 that are secured by 1-unit primary residences.

In addition, Freddie Mac sought to restrict purchases of mortgages with lower FICO scores, which exhibited poor performance. Therefore, Freddie Mac instituted a minimum 620 FICO score for all mortgages, including affordable mortgages, and increased our

[16] As implemented by § 81.43(a) of the HUD's regulations, 24 C.F.R. § 81.43(a) (2005).

minimum FICO score requirements on other mortgage products. Finally, Freddie Mac imposed a maximum debt-to-income ratio for manually underwritten mortgages of 45 percent.

To address the effects of the decline in property values throughout the country, Freddie Mac changed some of our collateral and appraisal requirements. Freddie Mac updated Loan Prospector to no longer permit a no appraisal or streamlined appraisal feedback. This ensures that Freddie Mac does not rely on a model-based value when determining the value of the collateral for the mortgage. Models can lag in keeping up with value changes, which is a significant risk given the rapid and severe declines in home values seen in the recent economic downturn.

Freddie Mac also introduced a market conditions appraisal addendum and required its use with all appraisal reports. This addendum provides Freddie Mac with more detailed information regarding the market conditions in the subject property's geographic area. This helps identify rapid declines in value that may not be evident in the recent sales used by the appraiser. Finally, Freddie Mac announced the Home Valuation Code of Conduct to help facilitate more accurate appraisals.

Under our agreements with lenders, Freddie Mac has the right to request that lenders repurchase mortgages sold to us if those mortgages do not comply with those agreements. As a result, Freddie Mac sometimes requests that lenders repurchase mortgages sold to us, or indemnify us against losses on those mortgages. Freddie Mac makes repurchase requests on a case-by-case basis. In 2008, repurchase requests on performing mortgages (without regard to year of purchase) were 0.23 percent of 2008 single-family purchase volume.

The cumulative effect of the changes made in 2008 contributed to a reduction in our purchase of mortgages affordable to low- and moderate-income families. Freddie Mac instituted these prudent underwriting and credit changes, however, in the context of deteriorating fundamentals in the overall housing market. The new credit policies were also intended to reduce the risk of defaults from the borrowers' perspective and improve the sustainability of homeownership for families. In light of higher expected defaults, foreclosures and losses, virtually all market participants — including mortgage insurers, lenders and the GSEs — instituted similar credit restrictions and price increases. At the same time, competition from FHA increased substantially; FHA's expansion in 2008, in turn, reduced Freddie Mac's share of the mortgage market for low- and moderate-income families.

Despite the severe market dislocations in 2008 and Freddie Mac's efforts to strengthen its own safety and soundness position, Freddie Mac continues to employ various business initiatives, policies and business practices designed to promote affordable housing and sustainable homeownership. Many of these policies and business practices benefit borrowers with very low-, low- and moderate-incomes, or borrowers living in underserved areas. The following are some examples of these policies and business practices in 2008:

Mortgage Servicing

At the end of 2008, more than 12.3 million mortgages were being serviced on behalf of Freddie Mac. We are constantly searching for new ways to more accurately assess risk of default and help families avoid mortgage foreclosures. Low- and moderate-income families and neighborhoods are particularly vulnerable to the harmful effects of foreclosures.

At year-end 2008, the overall delinquency rate for Freddie Mac's single-family mortgages was 183 basis points (based on the number of mortgages that were 90 days or more delinquent or in foreclosure). As with the rest of the industry, the relative proportion of seriously delinquent loans in Freddie Mac's portfolio has increased over the past few years.

Active management of delinquent mortgages enables Freddie Mac and its Servicers to help keep borrowers in their homes through home retention foreclosure alternatives including loan modifications, repayment plans and forbearance plans. Freddie Mac is also supportive of efforts to assist delinquent borrowers dispose of their homes and avoid foreclosure through pre-foreclosure sales when the borrower lacks the ability to repay the debt. The total number of single-family loans with foreclosure alternatives during 2008 was approximately 87,000 compared to 52,000 foreclosure alternatives during 2007.

The increase of 35,000 foreclosure alternatives between 2007 and 2008 is attributable to focused efforts on loan modifications and pre-foreclosure sales. These two primary foreclosure alternatives accounted for 99.5 percent of the increase in foreclosure alternatives over the prior year.

Using Automated Tools to Preserve Homeownership

Freddie Mac has found that early intervention with troubled borrowers significantly decreases the likelihood of foreclosure. For that reason, Freddie Mac provides Servicers with automated tools that allow them to identify and work with borrowers most likely to encounter problems making their mortgage payments. One of those tools is EarlyIndicator® (EI), a statistically-based delinquency management tool that assists the mortgage industry in helping more borrowers avoid foreclosure, makes delinquency management more effective and efficient for mortgage Servicers, and reduces credit losses for investors. At the end of 2008, 60 mortgage Servicers were licensed to use EI (collectively servicing more than eight million of Freddie Mac's mortgages).

Freddie Mac also offer Servicers a number of free default management tools and training, which allow Servicers to manage delinquent mortgagors, borrower workouts, and default and foreclosure expenses more efficiently.

Affordable Servicing Program

Freddie Mac implemented an Affordable Servicing Program in 2006 to target delinquent borrowers (at least 45-days delinquent) that Servicers have been unable to contact. The Affordable Servicing Program utilizes non-profit homeownership counselors to increase the contact rate with delinquent borrowers in an effort to reduce foreclosure rates.

During 2008, housing counseling agencies attempted to contact approximately 195,000 delinquent borrowers through this program, and were successful in reaching approximately 38,000 borrowers (for a resulting contact rate of 20 percent). Approximately 31 percent of the borrowers in the program have avoided foreclosure sale.

The need for this program was supported by the findings of a Foreclosure Avoidance Research Survey commissioned by Freddie Mac in 2005 and supported by a follow-up survey in 2007. The majority of delinquent borrowers in the survey were not only unaware of the available assistance options when in default, but were very interested in talking to a housing counseling agency when faced with a mortgage delinquency.

The participating non-profit agencies include Consumer Credit Counseling Services (CCCS) of San Francisco and CCCS of Atlanta.

Real Estate Owned (REO)

During 2008, Freddie Mac's REO Unit focused affordable housing efforts on establishing new nonprofit and lender partnerships to support disposition of Freddie Mac's REO assets while supporting Freddie Mac's mission of homeownership. Over 75 real estate professional and homebuyer preservation, education and training activities were held, reaching an audience of approximately 70,000 individuals.

The flagship initiative for Freddie Mac's REO Unit, *Believing in a Place Called Home*, was held in numerous underserved communities in partnership with various nonprofits and lender partners. The purpose of the initiative is to educate households and provide them with best practices, tools, key contacts, and information on affordable mortgage products and REO properties.

In support of military families, the REO Affordable Housing Team traveled to military bases across the country providing housing resources and information regarding its *Operation Homeward Bound* initiative, which advocates the acquisition of REO properties for owner occupancy and investment purposes. Freddie Mac performed this outreach in conjunction with the U.S. Department of Defense Financial Readiness and MoneyWise for the Military programs.

The REO Unit also continued its ongoing support of two corporate initiatives, by offering *CreditSmart® Train the Trainer* to real estate professionals and nonprofit financial counselors. This training teaches potential homeowners to improve their money management skills and to make affordable and responsible home purchases.

To reduce the increasing number of foreclosures, Freddie Mac's REO unit also assisted the Non-Performing Loans Borrower Outreach group by attending and initiating foreclosure prevention seminars in key market areas to help educate homeowners on how to avoid foreclosure.

Hurricane Relief

In 2008, Freddie Mac required Servicers to temporarily suspend foreclosure sales on all properties with Freddie Mac-owned mortgages in the federally declared disaster areas caused by Hurricane Ike in Louisiana and Texas. Freddie Mac extended these temporary changes to help keep borrowers in their homes and protect their financial interests in their homes. This extension was also granted to give Servicers more time to make a determination on whether forbearance or another foreclosure alternative as provided under the Guide could be extended to impacted borrowers. Through our continued efforts, Freddie Mac was able to ease the housing burdens for thousands of displaced homeowners and renters in these states.

The temporary foreclosure suspension was extended from October 8, 2008 to December 31, 2008 and includes mortgages that were in default prior to Hurricane Ike. At the end of the suspension period, Freddie Mac required Servicers to determine whether, based on the individual circumstances, additional foreclosure relief should be extended or whether foreclosure actions should be resumed.

Affordable Housing Advisory Council

Freddie Mac's Affordable Housing Advisory Council (AHAC) is designed to give us expert advice on ways to increase opportunities for affordable housing. The AHAC is comprised of leaders in the affordable housing field, including lenders, real estate professionals, builders, representatives from community-based and other non-profit and for-profit organizations, and state and local government agencies actively engaged in the field. The AHAC met in 2008 to discuss current market conditions and Freddie Mac's response to the credit crisis.

H. Information Required Under § 307(f)(2)(H)

§ 307(f)(2)(H) requires that this report describe trends in both the primary and secondary multifamily housing mortgage markets, including a description of the progress made, and any factors impeding progress, toward standardization and securitization of mortgage products for multifamily housing.

National Trends in the Primary and Secondary Multifamily Mortgage Markets

Freddie Mac purchased or guaranteed $25.7 billion[17] in new multifamily business transactions in 2008, a 58 percent decrease from the 2007 volume of $44.7 billion. The decrease is attributed to the slowdown in the Commercial Mortgage Backed Securities (CMBS) market. The total purchase volume includes approximately $5.5 billion in targeted affordable housing products, which finance apartments that receive some form of government subsidy.

During 2008, effective rents increased in the first three quarters and took a negative turn in the fourth quarter. The first three quarters showed slower growth in rents than in 2007, and the overall year's results showed a modest 2.4 percent increase, down from over 4 percent in 2007. Interest rates remained low, although many traditional financing sources exited the market.

The national vacancy rate went up 90 basis points over the year, with 40 basis points of that change occurring in the fourth quarter. A continuance of the fourth quarter trend of higher vacancy rates, combined with the lower rent growth or negative rent growth, leads us to expect lower effective gross income on properties in our portfolio for 2008 financials, and further deterioration in 2009. Markets having high job losses, particularly those with an over supply of condominium units or single family homes for rent, will perform worse than markets without these factors. All Florida markets, Atlanta, several Texas markets, Phoenix, Las Vegas, San Bernardino County, Orange County, and the Central Valley of California are among the markets that are likely to undergo the most stress in the apartment sector.

Based on U.S. Census Bureau data for 2008, about 266,000 new multifamily units were started, a 4 percent decline from 2007.[18] This is a relatively low level of new multifamily construction from a historical standpoint. The supply of rental units was also influenced by unsold condominium properties returning to the market as rentals in many markets, as well as unsold or foreclosed houses that have become rental properties. These last two effects offset the very low new supply numbers and appear to have weakened the supply demand balance of the multifamily rental market.

[17] This figure includes amounts related to transactions that are not eligible for counting under the affordable housing goals in 2008.
[18] U.S. Census, New Residential Construction in December 2008.

CMBS performance data indicate significant deterioration in credit, as the percentage of 60 days or more delinquent loans in outstanding conduit multifamily portfolios increased from 0.96 percent at the end of 2007 to 2.18 percent by the end of 2008.[19]

Between January and June of 2008, only $12 billion of fixed-rate domestic CMBS were issued, with no issuances in the second half of the year, compared to $202 billion for all of 2007. The multifamily portion of the 2008 market was $1 billion, compared to $38 billion in 2007. Freddie Mac purchased roughly 60% of the multifamily fixed-rate domestic securities issued in 2008.

<u>Freddie Mac Multifamily Initiatives</u>

Freddie Mac helps meet the need for affordable rental housing by credit enhancing or purchasing (directly or through our CMBS investments) the multifamily mortgages made by numerous financial institutions. The majority of our non-CMBS multifamily business is originated by primary lenders in our Program Plus® and Targeted Affordable lender networks. Working through our networks, Freddie Mac supports the financing of affordable apartment communities across America through a variety of products and services.

In 2008, Freddie Mac Multifamily had a record volume year of whole loan production, with approximately $24.3 billion in new multifamily business transactions.

In 2008, Freddie Mac rate-locked more than 685 transactions totaling $10.4 billion using our Early Rate-Lock option. Freddie Mac funded more than $3 billion using the Freddie Mac Capped ARM product and more than $2 billion using the Freddie Mac Acquisition Rehabilitation Mortgage℠ product. About $5.6 billion came through Freddie Mac's structured programs, including more than $3.7 billion in Targeted Affordable Housing products and almost $1.9 billion in conventional structured business.

Freddie Mac continued its participation in the growing seniors housing market by funding approximately $1.2 billion in seniors housing mortgages.

Below are highlights relating to Freddie Mac's Multifamily initiatives from 2008:

Conventional Mortgage Products

In 2008, Freddie Mac launched the Freddie Mac Capital Markets Execution℠ (CME) pilot to five Seller/Servicers. In November, Freddie Mac expanded the pilot to all Program Plus® Seller/Servicers for conventional mortgages. The CME is a securitization execution that gives Freddie Mac the capability to access more potential capital sources and additional opportunities for us to finance affordable housing properties, while providing liquidity and stability to the multifamily marketplace.

[19] Data from Trepp, LLC, a provider of CMBS, multifamily, and commercial mortgage information.

Freddie Mac also developed the Freddie Mac Student Housing Mortgage℠ product, which offers financing for the acquisition or refinancing of purpose-built student housing or traditional multifamily properties with more than 50 percent student occupancy. Qualifying student housing properties can be a combination of properties located close to multiple schools that have a combined student body of 8,000 students or more.

The Freddie Mac Adjustable-Rate Mortgage (ARM) product was enhanced to provide an option for borrowers who wish to take advantage of short-term rates with the prepayment flexibility of an ARM. For example, under these enhanced terms, the borrower was able to provide their own cap coverage from a third-party provider or, for loans with low leverage, chose an uncapped ARM.

Freddie Mac launched the Freddie Mac New York City pilot program for our borrowers who are active investors in multifamily properties located within the five boroughs of New York City. The product is designed to offer borrowers flexible prepayment options and a streamlined approval process.

Targeted Affordable Mortgage Products

In 2008, Multifamily's Targeted Affordable Housing business unit achieved its largest structured affordable volume ever and originated record volumes through the Freddie Mac Delegated Underwriting for Targeted Affordable Housing℠ model. Targeted Affordable business relates generally to properties that have contractual tenant set-asides or income subsidies. Products to finance those properties include bond credit enhancements and cash mortgages with Targeted Affordable traditional mortgage terms or conventional mortgage products.

Freddie Mac made progress toward our goal of having all our Targeted Affordable Seller/Servicers achieve full delegation status through Delegated Underwriting. Under this expanded business model, customers enter into a fully delegated underwriting relationship with us for designated Targeted Affordable business, after going through an initial phase of Delegated Underwriting during which Freddie Mac pre-screened all affordable business from that lender. Lenders who sell Targeted Affordable mortgages to Freddie Mac are required to share with Freddie Mac any losses related to the mortgages. Beginning October 1, 2008, Freddie Mac required all new Targeted Affordable business (business not already in the Freddie Mac pipeline or refinancings under certain circumstances) to be delivered solely through the delegated network. Lenders with full delegation status no longer have to screen targeted affordable loans with Freddie Mac before underwriting each loan, which reduces processing time.

Freddie Mac executed two transactions totaling $705 million using the standard Freddie Mac Tax-Exempt Bond Securitization (TEBS) execution. One of those transactions was our second-largest TEBS transaction ever, a $548 million transaction secured by 51 multifamily properties and supporting more than 8,800 affordable housing units. Freddie

Mac also provided liquidity to the market by credit enhancing two pools of tax-exempt bonds and related securities owned by an institution, totaling approximately $3 billion.

Preservation of Affordable Housing

Freddie Mac encourages the preservation of affordable housing with its suite of products, designed for properties with continuing rent and income restrictions. Our affordable delegated network enabled us to provide rehabilitation for many Section 8 and Section 236 Interest Reduction Payment (IRP) transactions in 2008. In our delegated network, on a dollar basis, approximately half our volume of loans and credit enhancements in 2008 financed properties with Section 8 Housing Assistance Program and Section 236 IRP Decouplings, providing funds for rehabilitating these properties and extending their useful economic life.

Standardization and Securitization

Freddie Mac purchased $743 million of CMBS multifamily directed-pay bonds from 6 different issuances in 2008. These purchases financed over 18,000 multifamily units and manufactured housing home sites in 2008. Freddie Mac continued to maintain an active presence in the structured financing markets and in December 2008, Freddie Mac provided liquidity to the GNMA project loan market with an $8 million purchase of a GNMA bond backed by a multifamily building in Washington, DC.

Freddie Mac continued its efforts to develop securitization products and executions in 2008. As discussed above, Freddie Mac introduced the Capital Markets Execution (CME) mortgage, which allows borrowers a greater degree of flexibility over traditional conduit lending. With the CME mortgage, borrowers are allowed to seek supplemental financing, a feature unique to Freddie Mac's lending program. Freddie Mac purchased a total of $410 million of CME loans and committed to the purchase of an additional $217 million. By investing in a securitizable mortgage product, Freddie Mac is extending liquidity to a section of the apartment market that would not be otherwise served under current market conditions. In addition, this product will allow Freddie Mac to reduce risk to its investment portfolio through a securitized execution, creating a stronger mortgage portfolio.

I. Information Required Under § 307(f)(2)(I)

§ 307(f)(2)(I) requires that this report describe trends in the delinquency and default rates of mortgages secured by housing for low- and moderate-income families that have been purchased by the Corporation, including a comparison of such trends with delinquency and default information for mortgage products serving households with incomes above the median level that have been purchased by the Corporation, and evaluate the impact of such trends on the standards and levels of risk of mortgage products serving low- and moderate-come families.

For Freddie Mac's single-family mortgages outstanding at year-end 2008, the 90 day delinquency rate was 183 basis points, up from 76 basis points at year-end 2007.

Two measures contrast the delinquency and default performance of mortgages serving low- and moderate-income (LMI) borrowers to the performance of mortgages serving borrowers who are above the area median income (non-LMI). In Table I-1, the second column presents the ratio of early payment delinquency rates for LMI borrowers to that of non-LMI borrowers by origination year. The third column in Table I-1 presents the ratio of cumulative lifetime default rates for the two groups of borrowers.[20]

For the twelve years 1996 through 2007, early payment delinquency rates for LMI borrowers averaged 1.6 times that of non-LMI borrowers. The cumulative default rate of LMI borrowers averaged 2.0 times that of non-LMI borrowers. Both measures increased significantly in the three years following the 2001 recession and then declined to earlier levels. This broad trend is consistent with the expectation that lower income borrowers experience more income instability and have fewer financial reserves, and therefore tend to suffer higher delinquency and default rates.

[20] The information presented in this section and in Exhibit I-1 is based upon an analysis of a sample of unseasoned, conforming, conventional, forward amortizing, first liens, non Graduated Equity Mortgages/Graduated Payment Mortgages. The delinquency (default) rates presented in Exhibit I-1 were determined by dividing mortgages serving low- and moderate-income families by the delinquency (default) rates for mortgages serving households with incomes above the median level. Delinquency is defined as the borrower ever being 90 or more days delinquent on the mortgage within 12 months of Freddie Mac's acquisition. Default is defined as a foreclosure, deed-in-lieu of foreclosure, or third party sale occurring at any point since Freddie Mac acquired the mortgage. With respect to the delinquency rate, we analyzed only the performance during the first year so that we could present a trend over time that avoided commingling mortgages of different ages. The analysis presented here does not control for other risk factors, such as LTV or credit history.

Exhibit I-1
Lower Income Borrowers Default More Frequently Than Higher Income Borrowers

Delinquency and Default Rate of Low- and Moderate-Income Borrowers (below area median income) Relative to the Delinquency and Default Rate of Higher Income Borrowers (above median income)

Year of Acquisition	Relative Early Payment Delinquency Rate	Relative Default Rate
1996	1.5	1.6
1997	1.7	1.7
1998	1.5	1.8
1999	1.7	1.8
2000	1.9	2.6
2001	1.9	2.6
2002	2.8	3.7
2003	2.7	3.6
2004	2.3	2.9
2005	1.7	1.9
2006	1.2	0.9
2007	1.1	0.9
Average	1.6	2.0

Source: Internal Freddie Mac delinquency study.

J. Information Required Under § 307(f)(2)(J)

§ 307(f)(2)(J) requires that this report describe in the aggregate the seller and servicer network of the Corporation, including the volume of mortgages purchased from minority-owned, women-owned, and community-oriented lenders, and any efforts to facilitate relationships with such lenders.

Freddie Mac purchases mortgages from a network of nearly 2,100 lenders, benefiting borrowers across the U.S. and its territories. Freddie Mac purchases mortgages from all major lender types. Some of these firms sell mortgages to Freddie Mac on a regular basis, while others sell to us only occasionally. Of the total seller network, over 1,000 lenders sold mortgages to us in 2008. At the end of 2008, minority- or women-owned lenders comprised approximately four percent of the lenders in Freddie Mac's network, and community-oriented lenders comprised approximately 90 percent of the lenders in Freddie Mac's network.

In 2008, Freddie Mac purchased approximately $17.8 billion of mortgages from community-oriented lenders and approximately $28.8 billion of mortgages from regional lenders, which includes approximately $800 million in mortgages Freddie Mac purchased from minority-owned lenders and approximately $100 million from women-owned lenders.

Freddie Mac renewed its relationship with the National Association of Professional Mortgage Women (NAPMW) in 2008, continuing our educational alliance with NAPMW and acting as one of NAPMW's sponsors. NAPMW is a nationwide organization of approximately 4,000 mortgage professionals that focuses on the professional development of its members through training and mortgage certifications. Through the alliance, NAPMW members benefit from a variety of both on-site and web-based educational courses, as well as customized classes provided by Freddie Mac.

In 2008, Freddie Mac continued its efforts to facilitate relationships with community-oriented lenders. Freddie Mac renewed our Community Lending Alliance with the American Bankers Association, the Independent Community Bankers Association and the Credit Union National Association. The alliances are negotiated collectively, which allows small, community-based institutions to have access to the secondary mortgage market on terms that would be more difficult for the institutions to obtain individually. The alliances help participating lenders improve their mortgage origination capabilities, by providing them with access to a comprehensive package of product offerings, tools, and services.

Over 500 lenders are currently taking advantage of the alliance offerings provided by Freddie Mac. In 2008, approximately 16 percent of the dollar volume of mortgages that Freddie Mac purchased from community and regional lenders came from participants in one of the Community Lending Alliances.

K. Information Required Under § 307(f)(2)(K)

§ 307(f)(2)(K) requires that this report describe the activities undertaken by the Corporation with non-profit and for-profit organizations and with State and local governments and housing finance agencies, including how the Corporation's activities support the objective of comprehensive housing affordability strategies under section 12705 of Title 42.

National Initiatives

Freddie Mac undertakes numerous activities in support of affordable housing, with state and local governments, housing finance agencies, our lender customers, and a wide variety of non-profit and for-profit organizations. The following section describes some of the initiatives Freddie Mac undertook in 2008.

Mortgage Revenue Bonds and Housing Finance Agencies

In 2008, Freddie Mac made a series of targeted investments in approximately $81.4 millon of single-family mortgage revenue bonds (MRBs) issued by various state and local housing finance agencies (HFAs). Although these purchases do not qualify for the affordable housing goals, Freddie Mac bought these MRBs as part of our effort to support affordable housing, as the HFAs are required to use the proceeds from the sales of the MRBs to originate below-market interest rate mortgages to lower income first-time homebuyers.

Freddie Mac continued our efforts in 2008 with select state and local HFAs and national lenders (serving as master servicers) to promote the use of Freddie Mac PCs as collateral for single family mortgage revenue bonds. As a result of these efforts, master servicers swapped approximately $682.2 million of mortgages originated by lenders pursuant to a Mortgage Revenue Bond initiative for Freddie Mac PCs. These PCs helped support first-time homebuyers nationwide. In this effort, Freddie Mac collaborated with more than 30 local HFAs and 10 state HFAs throughout the country.

Financial Education Outreach

Freddie Mac's *CreditSmart* initiative (which includes *CreditSmart* and *CreditSmart Español* curricula, and, since 2007, *CreditSmart Asian®*) is a multilingual financial education curriculum and consumer outreach initiative developed by Freddie Mac in collaboration with a number of multicultural groups. *CreditSmart* is designed to help consumers build and maintain better credit, make sound financial decisions, and understand the steps to successful long-term homeownership. Since its inception in 2001, Freddie Mac and its collaborating organizations have reached out to more than 2.1 million consumers nationwide through *CreditSmart*.

Freddie Mac continues to expand *CreditSmart* offerings to ensure the curriculum remains relevant and engage additional population segments that face barriers to credit. On an on-going basis, Freddie Mac sponsors live *CreditSmart* trainings of instructors to support communities' neighborhood stabilization/foreclosure avoidance strategy. Recent collaborations and efforts have focused on reaching *CreditSmart* instructors and consumers via web.

In 2008, Freddie Mac enhanced its *CreditSmart* website to provide financial education instructors and housing counselors with increased access to the curriculum. At the site, users can find downloadable files of *CreditSmart* materials, training information, tips, tools and templates to help users make the most of *CreditSmart* in the community.

Concerned with the growing number of military men and women experiencing credit and foreclosure problems, the U.S. Air Force and Freddie Mac launched a pilot web-based *CreditSmart* training of instructors series. The pilot is reaching out to 84 Airman and Family Readiness Centers (A&FRC) in the U.S. Pacific Rim, and Europe. Through A&FRC, each base supports personal finance experts who provide financial education and counseling to military personnel and their families.

Workforce Home Benefit

Freddie Mac's *Workforce Home Benefit* (WHB) initiative is a "turnkey" approach to developing and implementing employer-assisted homeownership (EAH) plans. These plans provide employers with a way to help their employees, many of whom come from traditionally underserved groups, achieve homeownership.

Our WHB initiative assists employers in designing, implementing, and administering EAH plans for their employees. As part of these initiatives, Freddie Mac may help employers identify organizations that can provide homebuyer education, financial literacy and credit counseling to their employees. Freddie Mac offers a full range of affordable mortgage products that may be used in conjunction with an EAH plan. EAH plans may also feature employer assistance with down payment and closing costs, and access to the participating lenders' affordable mortgage products.

Since the inception of WHB in 2004, Freddie Mac has helped to develop and implement 50 employer-assisted homeownership initiatives throughout the U.S. In 2008, Freddie Mac supported SunTrust in Richmond Virginia with an initiative for Virginia Commonwealth University Health Systems.

Don't Borrow Trouble®

Don't Borrow Trouble is a comprehensive consumer awareness campaign that combines public education and counseling services to help homeowners avoid predatory lending practices. Each *Don't Borrow Trouble* campaign uses a combination of ads, billboards, websites, and public service announcements in English and Spanish to educate borrowers about predatory lending practices and encourage them to call a toll free number for referrals to local government and non-profit agencies to help them understand and resolve specific lending problems.

Since Freddie Mac began expanding *Don't Borrow Trouble (DBT)* in 2000, 59 local and statewide campaigns have been launched and these campaigns have assisted more than 412,000 consumers across the U.S.

In 2008 Freddie Mac conducted research among the DBT sites to understand how they were responding to the foreclosure crisis. New outreach advertisement templates were created as a result to help organizations reach out to consumers with information on alternatives to foreclosure. In addition, Freddie Mac awarded 15 DBT sites challenge grants to increase their consumer outreach. Additionally, Freddie Mac sponsored a series of foreclosure prevention trainings, conducted by the National Consumer Law Center, to ensure DBT sites and other communities have access to latest information and training to support their work.

Mobile Homeownership and Outreach Center (eBus)

Since 2005, Freddie Mac has worked with Fifth Third Bank on the Mobile Homeownership and Outreach Center (eBus) initiative. The eBus is a full-size commercial bus retrofitted as a self-contained mobile homeownership center with computer workstations and Internet access. Using on-line education services provided by Freddie Mac and Fifth Third Bank, the eBus delivers homeownership information and financial literacy education to minority and low-to-moderate income consumers.

During 2008, over 18,000 consumers came aboard the eBus to receive information on mortgage opportunities as well as other financial services such as checking, savings, and credit cards.

Get The Facts!

Get The Facts! is an education initiative intended to dispel common myths about buying and owning a home in the United States. At the core of *Get The Facts!* is an interactive workshop designed to break down barriers of misinformation that keep African-American and Hispanic families from exploring homeownership. *Get The Facts!* is typically delivered by community-based organizations as a one-hour workshop and preamble to homebuyer education. In 2008, *Get The Facts!* was implemented in seven locations across the U.S.

Nuestro Barrio

Nuestro Barrio (Our Neighborhood) is a Spanish-language 13 episode TV mini-series about Hispanic life in the United States that uses the telenovela, or soap opera, format to engage and educate consumers on financial literacy, predatory lending and homeownership. This broadcast-quality product with English subtitles was produced by Community Reinvestment Association of North Carolina's Media Advocacy division and sponsored by Freddie Mac.

Freddie Mac sponsors the production of *Nuestro Barrio* as part of its efforts to reach more Hispanic households and provide them with information about the homeownership and the homebuying process. In 2008, Freddie Mac introduced a direct-to-consumer (non-broadcast) approach. *Nuestro Barrio* DVDs were provided to participating lenders for direct consumer distribution.

<u>State and Local Lending Initiatives</u>

In collaboration with our lender customers, state and local governments, and other organizations, Freddie Mac undertakes numerous initiatives designed to increase homeownership opportunities in minority and underserved communities in states and localities across the country. The following section describes some of the initiatives Freddie Mac launched in 2008.

Education and Lending Initiatives

In 2008, Freddie Mac joined forces with BB&T Bank and Community Ventures Corporation to expand homeownership opportunities for low- and moderate- income homebuyers in the Lexington, Kentucky market through intensive homebuyer education, financial literacy programs and mortgage readiness assessments utilizing CreditSmart® and Loan Prospector® Outreach.

Freddie Mac partnered with Bank of America and the Mid-Columbia Housing Authority to create a lending and education initiative in Oregon. The initiative is designed to provide homebuyer education and counseling using Freddie Mac's Get the Facts curriculum, as well as Loan Prospector Outreach to assess borrower readiness.

Lending Initiatives with Faith-Based Organizations

In 2008, Freddie Mac partnered with Citi Mortgage (CMI) and Genworth Financial on a strategy designed to help raise awareness of current homeownership opportunities and assist Citigroup with needs around their Community Reinvestment Act (CRA) responsibilities in Chicago. The Chicago event consisted of a one-day kickoff with CitiMortgage, Chicago Urban League, Genworth Financial, and several local churches.

Further, Freddie Mac joined forces with Guidance Residential and the Islamic Society of North America to expand its efforts to educate on the availability and practicality of Sharia-compliant housing finance options in Maryland and Texas, where high concentrations of American Muslims reside.

Neighborhood Revitalization Lending Initiatives

Freddie Mac has created a number of neighborhood revitalization efforts that work in conjunction with rehabilitation and new construction initiatives. For example, in 2008, Freddie Mac created an initiative with the city of Toledo, Ohio, Friendship New Vision, Inc. and Huntington Bank that targets three neighborhoods with considerable REO and leveraged the resources of the participants to stabilize the neighborhoods and create homebuying opportunities.

Additionally, the City & County of Denver, State of Colorado Division of Housing, US Bank Home Mortgage and Freddie Mac have been working to create a neighborhood stabilization model for neighborhoods with high concentration of foreclosed properties. The model will be a collaboration between Freddie Mac Seller Servicers, Freddie Mac housing and outreach partners, along with state and local municipalities. The participants will pool resources to facilitate property acquisition, marketing the property, preparing prospective homeowners and facilitating the mortgage lending process. The objective is to reduce or eliminate the impact of foreclosures on housing and mortgage lending.

In 2008, Freddie Mac provided financial support to Enterprise Community Partners to create and implement a national public-private neighborhood stabilization model program in key markets across the country that are struggling with heavy concentrations of foreclosed, vacant REO properties. One key outcome is that Freddie Mac's financial support facilitated the creation of the National Community Stabilization Trust.

Minority Homeownership Lending Initiatives

In an effort to increase homeownership opportunities for minority families, Freddie Mac works with various public and private organizations to implement homeownership initiatives in minority communities across the country.

In 2008, Freddie Mac joined forces with HomeStreet Bank and El Centro de la Raza Homeownership Center in Seattle, Washington to launch a lending and financial literacy outreach Initiative focused on Hispanic consumers and designed to provide homebuyer education in Spanish. In Texas, Freddie Mac, Wachovia, and the Consumer Credit Counseling Services of Greater Dallas launched an Initiative to create a homeownership sourcing effort that targets first time Hispanic homebuyers.

Public Housing to Homeownership Lending Initiatives

Freddie Mac recognizes the importance of developing public/private partnerships to raise awareness among families that may believe homeownership is not a possibility. In 2008 Freddie Mac developed the East River Development Alliance (ERDA) Homes Homeownership Initiative, a lending and outreach initiative focused on the largest public housing development in the U.S. (approximately 30,000 residents) with comprehensive financial counseling designed to provide affordable products, homebuyer education and automated tools, such as Loan Prospector Outreach. This initiative was implemented in Long Island City, New York, in partnership with the ERDA and Chase Home Finance.

Automated Tools for Homeownership Counseling and Education

As described below, during 2008 Freddie Mac continued to support the homeownership education and counseling industry by providing tools to help counselors service more potential homebuyers and provide more consistent homeownership counseling.

One of the tools Freddie Mac offers is *CounselorMax Supported by Freddie Mac,* a web-based management tool, which is designed to help housing counselors enhance their capacity and productivity. Freddie Mac provides enhanced support to select counseling agencies using *CounselorMax* in conjunction with Freddie Mac initiatives. Currently, over 400 housing counseling agencies use *CounselorMax Supported by Freddie Mac*.

Loan Prospector Outreach (LPO)

To help ensure that homeownership counseling is consistent, Freddie Mac continued to offer *Loan Prospector Outreach* (*LPO*), an online client assessment tool. *LPO* helps housing counselors quickly and accurately assess the readiness of their clients to apply for a mortgage, offers information to shape pre-purchasing counseling, and helps ensure that consumers have access to affordable mortgage products.

Grants to Housing Organizations

Freddie Mac provided $10.5 million in grants to housing counseling organizations to use for their outreach, education and foreclosure prevention efforts to help borrowers. The grants were provided to enable the non-profit organizations to add and train staff, pay operational expenses and support outreach campaigns to borrowers having difficulty making their mortgage payments. The organizations were selected for their abilities to educate and advise borrowers about their foreclosure options and/or help them obtain workouts from their mortgage servicers.

National Commission on Fair Housing and Equal Opportunity

Freddie Mac also provided support to the National Commission on Fair Housing and Equal Opportunity. The Commission produced a report and recommendations for creating and sustaining stable, diverse, and inclusive neighborhoods.

<u>Section 12705 of Title 42</u>

Initiatives like those described above in this Section K could support the objective of comprehensive housing affordability strategies under Section 12705 of Title 42 (42 U.S.C. § 12705).