

Exhibit G:  
**Annual Loan Products Narrative Reporting Template**

FREDDIE MAC

AFFORDABLE HOUSING PRESERVATION

2018 REPORT

EVALUATION AREA: PRODUCT

**ACTIVITY:**

*Activity 2 – Section 8: Statutory Activity*

**OBJECTIVE:**

*Objective B: Develop a new offering with a more efficient origination path for Section 8 preservation*

**ACTIONS:**

*Freddie Mac substantially exceeded this planned objective in 2018 by developing and marketing an innovative, cost effective offering (TAH Express) that reduces financing costs for small Section 8 properties (as defined in our plan). We have originated over \$50 million of loans in the first year and made refinements to help the offering grow over time (activities that were planned for 2019).*

*We developed TAH Express because we recognized a need for better financing solutions for smaller properties and smaller borrowers that are not typically reached by our Optigo<sup>SM</sup> lender network. TAH Express enables borrowers to efficiently and more cost effectively finance and preserve Section 8 properties and devote more resources to the property instead of financing costs. Efficiencies, such as streamlined reporting requirements and legal infrastructure, and expansion of our parameters not only reduce transaction costs by approximately 30%, but also reduce the overall transaction timelines. This allows smaller borrowers to refinance affordable properties within their portfolio and allows them to bid competitively on small Section 8 transactions with certainty, expanding their reach and preservation efforts to units within their portfolio, but also to those they acquire.*

*Achieving this success in the development of the TAH Express offering was highly resource intensive, requiring both the labor and intellectual capital from teams from across multifamily to create a competitive market offering that generates cost savings and impact for the borrowers, and incentivizes seller/servicers. As significant savings were anticipated to come from legal efficiencies, our legal team, with outside counsel, spent hundreds of hours creating the infrastructure to create a streamlined experience for the borrower without sacrificing security for the investor. Simultaneously, our production, underwriting, and asset management teams developed loan terms and processes to ensure an efficient execution from origination to servicing. Finally, implementation of the new offering included over 5 training sessions with current TAH Optigo lenders and the onboarding of a new TAH Express lender to further expand our reach to new borrowers who currently do not utilize GSE executions for their financing. These accomplishments all led to a successful launch of TAH Express. Our 2018 funded transactions totaled over \$50 million dollars and the forward-looking pipeline included an additional \$50 million entering 2019.*

<b>Plan Actions</b>	<b>2018 Actions</b>
<p><i>Develop specific offering parameters such as third-party reports, legal processing and loan terms to create a streamlined, market-relevant, competitive offering while ensuring that impacts to investors are minimal and are included in the term sheet.</i></p>	<p><i>We established loan and credit parameters that provide longer financing options and more flexible prepayment structures than offerings by other lenders and banks or previously available. We also streamlined our third-party reports by combining the physical needs assessment and the environmental report into one report, newly named the "Property Condition Report." Legal also identified and engaged 4 outside counsel firms to serve as single counsel for the TAH Express offering, making it more</i></p>

	<p><i>efficient to have single representation between our Optigo<sup>SM</sup> lenders and Freddie Mac.</i></p>
<p><i>Generate cost savings and impacts for borrowers, seller/servicers and Freddie Mac and include in term sheet or associated marketing materials.</i></p>	<p><i>We created cost savings by streamlining third party reporting and legal documentation. This combination generated transaction cost savings for the borrower and time savings for our Optigo<sup>SM</sup> lenders. We highlighted this benefit in our term sheet.</i></p> <p><i>Additionally, through TAH Express, our Optigo<sup>SM</sup> lenders benefit from increased servicing and pricing incentives typical of other small balance loan offerings.</i></p>
<p><i>Develop and/or update legal document infrastructure to allow for efficiency to the borrower and security for the investor. Legal documents will include at least the following:</i></p> <ol style="list-style-type: none"> <li><i>1. Commitment Letter</i></li> <li><i>2. Loan and Security Agreement</i></li> <li><i>3. Note</i></li> <li><i>4. Guaranty</i></li> </ol>	<p><i>We established a complete legal infrastructure that includes over 30 new documents. The most critical documents include:</i></p> <ul style="list-style-type: none"> <li><i>▪ TAH Express Seller Representations and Warranties</i></li> <li><i>▪ TAH Express Loan Agreement</i></li> <li><i>▪ TAH Express Note – Fixed, Floating, and Fixed Defeasance</i></li> <li><i>▪ TAH Express Guaranty</i></li> <li><i>▪ TAH Express Uniform Covenants</i></li> <li><i>▪ TAH Express Rate Cap Agreement and Rate Cap Reserve Fund</i></li> <li><i>▪ TAH Express Subordinate Financing Rider to Loan Agreement</i></li> <li><i>▪ TAH Express Ground Lease Mortgage Rider to Loan Agreement</i></li> <li><i>▪ TAH Express Tax Abatement Rider to Loan Agreement</i></li> <li><i>▪ TAH Express HAP Contract Rider to Loan Agreement</i></li> <li><i>▪ TAH Express HAP Contract Reserve Rider to Loan Agreement</i></li> <li><i>▪ TAH Express HAP Contract Rider to Security Instrument</i></li> <li><i>▪ TAH Express Tax Credit Properties Rider to Loan Agreement</i></li> <li><i>▪ TAH Express Commitment Letter</i></li> </ul>
<p><i>Publish official term sheet on our website that identifies the offering and the acceptable terms.</i></p> <p><i>Term Sheet will contain at least the following elements:</i></p> <ol style="list-style-type: none"> <li><i>1. Offering overview and loan purpose</i></li> <li><i>2. Sponsor and/or property eligibility requirements</i></li> <li><i>3. Loan-to-Value limits</i></li> <li><i>4. Debt coverage limits</i></li> <li><i>5. Allowable lengths of loan term</i></li> <li><i>6. Allowable lengths of amortization</i></li> <li><i>7. Areas of streamlined processing</i></li> </ol>	<p><i>We published a term sheet on our website that included more elements than we originally stated in our plan and made this available to our Optigo<sup>SM</sup> lenders. These include:</i></p> <ul style="list-style-type: none"> <li><i>▪ Offering overview and loan purpose</i></li> <li><i>▪ Sponsor and property eligibility requirements</i></li> <li><i>▪ Loan-to-Value limits</i></li> <li><i>▪ Debt coverage limits</i></li> <li><i>▪ Allowable lengths of loan term</i></li> <li><i>▪ Allowable lengths of amortization</i></li> <li><i>▪ Areas of streamlined processing</i></li> <li><i>▪ Subordinate debt financing options</i></li> <li><i>▪ Flexible prepayment types</i></li> <li><i>▪ Occupancy requirements</i></li> <li><i>▪ Replacement reserve requirements</i></li> </ul>
<p><i>Engage all TAH lenders to promote this offering with appropriate compensation structures to incentivize them to finance small Section 8 properties.</i></p>	<p><i>We engaged all our TAH lenders and onboarded a new lender to originate TAH Express loans. These actions exceed our planned actions.</i></p>
<p><i>Provide one to three training sessions via webinar or in person as appropriate to provide seller/servicers with clear guidance to originate transactions under the new offering.</i></p>	<p><i>We provided three online training sessions and four in-person training sessions, which exceeds our planned actions.</i></p>
<p><i>Implement an internal working group to ensure that all resources are allocated appropriately and alignment is maintained throughout the creation of the new loan offering.</i></p>	<p><i>We leveraged the expertise and involvement of more than 60 individuals across 11 business platforms to work on the successful launch and implementation of this offering. These groups included purchasing, production, underwriting, legal,</i></p>

	<i>capital markets, research, marketing, business management, credit policy, insurance and asset management.</i>
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**SELF-ASSESSMENT RATING OF PROGRESS:**

Select the category that best describes progress on this objective for the year.

- Objective met
- Objective exceeded
- Objective partially completed:
- 75-99% (substantial amount)
  - 50-74% (limited amount)
  - 25-49% (minimal amount)
  - 1-24% (less than a minimal amount)
- No milestones achieved

**PARTIAL CREDIT JUSTIFICATION:**

N/A

**IMPACT:**

Provide a self-assessment of the level of impact that actions under the objective have accomplished.

- 50 – Substantial Impact
- 40
- 30 – Meaningful Impact
- 20
- 10 – Minimal Impact
- 0 – No Impact

**IMPACT EXPLANATION:**

Answer the following questions.

1. How and to what extent were actions under this objective impactful in addressing underserved market needs or laying the foundation for future impact in addressing underserved market needs? (*Character limit: 3,000 characters, including spaces*)

*As the market leader in affordable housing preservation, it is important for Freddie Mac to ensure our offerings provide access to all corners of the market. TAH Express provides a solution for areas that cannot maintain long-term affordability while bearing high transaction costs. Prior to TAH Express, the time and cost involved in smaller transactions made it hard to preserve the affordability of these properties. With TAH Express, those costs are reduced on each transaction. And, because our loan terms are longer than typical loan offerings in this market (which are typically shorter term and full recourse), TAH Express eliminates the need for frequent refinancing events. This means borrowers can devote funds to property improvements and operation rather than financing costs.*

*In 2018, TAH Express had a direct impact on over 1,100 units and 13 properties, totaling over \$50 million. This level of impact in such a short amount of time shows that this loan offering not only had an immediate impact on the market; it has potential to create a larger impact during the following years of the plan as more borrowers become aware of it.*

*TAH Express revolutionizes the way small affordable loans are financed with its innovative and streamlined processes and parameters, both of which are impactful at the transactional level. The certainty of execution allows small affordable borrowers to bid more competitively.*

*Below is an overview of the transactional improvements and their impact to the overall origination process.*

<p><i>Reporting Improvements</i></p> <ul style="list-style-type: none"> <li>▪ <i>Single physical risk report</i></li> <li>▪ <i>Zoning report removed</i></li> <li>▪ <i>New survey removed</i></li> </ul>	<p><i>Parameters</i></p> <ul style="list-style-type: none"> <li>▪ <i>Declining prepayment structure</i></li> <li>▪ <i>Subordinate debt permitted</i></li> <li>▪ <i>Loan terms up to 15 years</i></li> </ul>	<p><i>Legal Infrastructure</i></p> <ul style="list-style-type: none"> <li>▪ <i>Streamlined commitment</i></li> <li>▪ <i>Joint counsel</i></li> <li>▪ <i>No borrower counsel opinion letter</i></li> </ul>
<p><i>Impact</i></p> <ul style="list-style-type: none"> <li>▪ <i>Monetary savings of approximately 10% from the current Freddie Mac cash transaction</i></li> <li>▪ <i>Time reduction of 1 week from the complete transaction timeline</i></li> </ul>	<p><i>Impact</i></p> <ul style="list-style-type: none"> <li>▪ <i>Monetary savings will vary on a deal-by-deal basis, however we expect the cost to be less than the current Freddie Mac cash transaction</i></li> <li>▪ <i>Time reduction resulted by issuing a weekly indicative pricing grid and reduced the Freddie Mac prescreen timeline by approximately 50%</i></li> </ul>	<p><i>Impact</i></p> <ul style="list-style-type: none"> <li>▪ <i>Monetary savings of approximately 30% from the current Freddie Mac cash transaction</i></li> <li>▪ <i>Time reduction of 2 weeks from the complete transaction timeline</i></li> </ul>

*The direct impact of TAH Express can be seen on individual transactions as well as in the aggregate. For example, TAH Express was used on a small Section 8 property in Chicago, Illinois, preserving 26 units for tenants aged 55 and over. The transaction benefited from a partial Housing Assistance Payment contract covering 8 units. Local non-profits identified 18 low-income senior tenants to occupy the remaining 18 units. The borrower was a first-time affordable housing borrower and a first time Freddie Mac borrower. This borrower noted that the TAH Express execution provided the certainty and flexibility required to meet closing deadlines.*

2. **Optional:** How do actions under this objective support future actions detailed in the Plan for the underserved market? If there have been any changes in the planned next steps or timeline for work under or related to this objective, describe the changes and provide a brief explanation. *(Character limit: 1,500 characters, including spaces)*

*TAH Express has been well received in the market. Our Optigo<sup>SM</sup> lenders embraced the offering and are actively marketing to a new set of clients who, until now, did not have access to a GSE offering that met their needs. We anticipate market awareness will grow over time. To assist in this, we provided our lenders with appropriate training and marketing materials. We also visited numerous broker firms that originate this business today to present this new option to the market.*

*As a result of our development efforts this year—and successful transactions—we are entertaining additional improvements to the offering to further streamline processes and increase certainty for borrowers. These two goals are especially important to this segment of the market and will lead to future preservation of affordable housing and more loan purchases on small, affordable properties nationwide.*

3. **Optional:** Are there any market factors that adversely impacted the actions under this objective? If so, describe. *(Character limit: 3,000 characters, including spaces)*

*In developing TAH Express, we were faced with 5 market challenges we had to overcome: (A) the high transaction costs typical of affordable housing financing, (B) tailoring offering parameters to a specialized segment of the market, (C) lender reluctance to focus on small properties that have historically required the same effort to finance as larger properties with far less economic benefit, (D) reaching borrowers unfamiliar with GSE financing, and (E) gaining acceptance for this offering in the capital markets.*

Market Challenges	Actions
<p><b>High transaction costs (monetary and time)</b></p> <ul style="list-style-type: none"> <li>Typical debt offerings tend to be costly and time consuming for these simpler, smaller transactions, because they require the same level of due diligence as highly complex transactions. The time and cost often make it harder to preserve these properties as affordable.</li> </ul> <p><b>Offering parameters</b></p> <ul style="list-style-type: none"> <li>Borrowers for smaller transactions prefer offering parameters that are specific to the small property market.</li> </ul> <p><b>Lender acceptance</b></p> <ul style="list-style-type: none"> <li>The level of effort to finance a small property is just as much as to finance a large property, but typical lender compensation structures do not reward them equally for their efforts. This creates a disincentive to pursue financing for small properties.</li> </ul> <p><b>Borrower and property features</b></p> <ul style="list-style-type: none"> <li>The borrower set for this offering may be different than the traditional Freddie Mac affordable borrower.</li> <li>The properties originated through this offering will most likely be smaller and pose different challenges as it relates to economies of scale than larger properties.</li> </ul> <p><b>Acceptance by capital markets</b></p> <ul style="list-style-type: none"> <li>K-Deal investors are accustomed to seeing the same due diligence for each transaction during securitization.</li> </ul>	<p><b>High transaction costs (monetary and time)</b></p> <ul style="list-style-type: none"> <li>TAH Express reduces total transaction costs by approximately 30%, making it more cost-effective for simpler, smaller transactions.</li> <li>We reduced the Freddie Mac transaction time by one week, giving sponsors the ability to competitively bid and refinance small transactions.</li> </ul> <p><b>Offering parameters</b></p> <ul style="list-style-type: none"> <li>TAH Express provides borrowers with the prepayment flexibility typical of the small balance financing. It also provides long-term financing options which limits refinancing costs and burden on the property and preserves long-term affordability.</li> </ul> <p><b>Lender acceptance</b></p> <ul style="list-style-type: none"> <li>Through TAH Express, our Optigo<sup>SM</sup> lenders benefit from increased servicing and pricing incentives</li> <li>We added a new TAH Express specialized lender to our network.</li> </ul> <p><b>Borrower and property features</b></p> <ul style="list-style-type: none"> <li>We aligned TAH Express borrower and property eligibility with the typical small borrower and property features for this market.</li> </ul> <p><b>Acceptance by capital markets</b></p> <ul style="list-style-type: none"> <li>Our capital markets team worked with investors to address concerns on the streamlined reporting for TAH Express so these loans can be included in K-Deals.</li> <li>We exceeded our plan and securitized our first TAH Express loan within the K-Deal Securitization.</li> </ul>

4. **Optional:** How did the actions under this objective contribute to increased or future loan purchases for the underserved market? (Character limit: 1,500 characters, including spaces)

*This loan offering is designed to support our Section 8 Preservation purchase targets in the coming years. In our first year of development and loan origination, we established a strong foundation for continued growth. Based on initial market feedback, we determined that it would take some for our Optigo lenders to reach the target borrowers of TAH Express—borrowers who are not typically accustomed to Freddie Mac loan offerings. To further our commitment to this offering and market, we onboarded a specialized lender to specifically originate TAH Express transactions. This new lender will help to further enhance loan purchases and increase awareness to new borrowers.*

*Our current Plan anticipates an increase in purchases in 2019 and 2020 as a result of the development of TAH Express. While we do look to continue to grow our support, we view it as important to do so while exercising market discipline so that we may provide long-term persistent liquidity for the benefit of tenants in smaller properties nationwide.*

Attach the information detailed in the list of documentation specific to the objective that was provided by FHFA.

Exhibit C:

**Second Quarter Loan Products Narrative Reporting Template**

FREDDIE MAC

AFFORDABLE HOUSING PRESERVATION

2Q REPORT

EVALUATION AREA: PRODUCT

**ACTIVITY:**

*Activity 2 – Section 8: Statutory Activity*

**OBJECTIVE:**

*Objective B: Develop a new offering with a more efficient origination path for Section 8 preservation*

**SUMMARY OF RESULTS:**

The Section 8 Project Based Rental Assistance (PBRA) program is a vital federal program that enables long term affordable housing nationwide. PBRA is one of the main forms of federally assisted rental housing, with over 1.2 million units housing over 2 million people. Section 8 properties often use other sources of federal or local subsidy, such as LIHTC and subordinate debt that add further analysis to the transactions.

For smaller Section 8 properties, the deal costs typical of such transactions have historically outweighed the economic benefit of seeking long-term GSE financing. In the first half of 2018, we completed development our new offering, Targeted Affordable Express. This offering generates cost savings for our borrowers and leads to a more efficient execution for Section 8 preservation. Through the features of this executions, such as a legal infrastructure that allows for a single counsel shared by the lender and Freddie Mac, we have been able to reduce transaction costs by up to 33%.

**ACTIONS:**

Action Category	Action Reference – Activity 2; Objective B	Status
Market Actions	Action 1	Develop Offering Parameters – Complete
	Action 2	Generate Cost Savings for Borrowers – Complete
	Action 3A-D	Develop Legal Documents – Complete

	Action 4A-G	Publish Product Term Sheet – Complete
	Action 5	Engage all TAH S/S – Complete
	Action 6	Provide Training Sessions to S/S – Complete
Resource Actions	Action 1	Implement Internal Working Group – Complete

**SELF-ASSESSMENT RATING OF PROGRESS:**

*Select the category that best describes progress on this objective for the reporting period.*

- On-target to meet or exceed the objective
- Progress delayed and/or partial completion of the objective expected
- Unlikely to achieve any milestones of the objective

**ADDITIONAL INFORMATION (IF APPLICABLE):**

N/A