

Exhibit G:
Annual Loan Products Narrative Reporting Template

FREDDIE MAC

AFFORDABLE HOUSING PRESERVATION

2019

PRODUCT

ACTIVITY:

5 - Financing of Small Multifamily Rental Properties: Regulatory Activity

OBJECTIVE:

C - Develop a New Offering for Small Balance Loan participation ("PC") Securitization

ACTIONS:

In 2019, Freddie Mac developed a way to provide liquidity to small financial institutions (SFIs) so they may find balance sheet relief and continue to lend in communities they serve through access to Participation Certificate (PC) securitizations. In 2019, we published a term sheet, promoted the offering to SFIs, and executed our first transaction. We used a combination of existing documents from our 55-day PC and other securitization structures to reinforce investor familiarity with the Freddie Mac PC. The benefit of moving to market standardized transactions is better pricing and increased liquidity for the SFIs.

SFIs play an important role in supporting communities across the country, as well as providing financing for smaller or local projects. Many multifamily loans originated by these institutions are focused on these smaller projects. These institutions can be limited in their lending capacity by regulatory and balance sheet constraints. To address this challenge, Freddie Mac developed a PC Swap mechanism for SFIs seeking liquidity. This allows SFIs to exchange less-liquid loans for more-liquid 55-day PCs guaranteed by Freddie Mac. As a result, SFIs can better manage their balance sheet needs in the size, scope and pace they require to recycle capital back into new multifamily lending and increase capital available for smaller projects.

Executing a transaction is significant because the viable market size is very small. It is limited to the number of qualifying SFIs who have both multifamily experience and balance sheets with sufficient commercial real estate loans. From our analysis at the time of drafting our DTS plan, out of 5,347 DTS qualifying SFIs, only 123 would be candidates for securitization (they have at least \$100 million of multifamily loans on their portfolio, which is the typical amount required to execute an economically viable transaction). It is further limited to those that have the strategic objective to access liquidity for more lending. Often SFIs aggregate collateral on their balance sheet and enjoy the benefits from the returns. To free up capital, they may monetize assets via whole loan sales to their peer institutions—sales that do not provide liquidity to the segment of the market overall. This method can have inefficient economics and often erodes another valuable asset of SFIs – relationships with their borrowers. The PC Swap mitigates these issues. With it, SFIs maintain their relationships and optimize the rate and manor at which they monetize their portfolio according to their needs. PC Swap allows them to do smaller transactions and set the pace at which they sell those resulting certificates to the market so they can both access liquidity and maintain strong portfolio earnings. Each PC Swap does enable SFIs to continue to lend in support of small properties, which can in turn lead to additional PC Swaps, creating a cycle of liquidity. We anticipate continued success and repeat business with this execution.

Objective's components detailed in the Plan	<i>Corresponding actions taken</i>	<i>Explanation of any deviations from the Plan (if applicable)</i>
Develop and implement internal credit policy for small balance loan PC securitization that will enable lenders to lend more for small multifamily properties while promoting market safety and soundness.	Complete We developed and implemented credit policy for PC Securitization of seasoned loans. Optimal loan pool size is at least \$30 million in aggregate UPB per the term sheet.	
Publish an official product term sheet on our website that identifies the product and the acceptable terms. Include in the term sheet at least the following elements: a. Product overview and loan purpose b. Sponsor and/or property eligibility requirements c. Loan-to-Value limits d. Debt coverage limits e. Allowable lengths of loan term f. Allowable lengths of amortization	Complete Published Term Sheet.	The public term sheet does not contain all of the listed elements because the terms are specific to the SFI and the underlying collateral.
Gather Feedback from small financial institutions, HFAs, CDFIs, and community banks with whom we engage in PCs (or attempt to) under Objective D, to refine this offering over time as necessary.	Complete We met with various SFIs including depositories and CDFIs to discuss our PC securitization. These meetings took various forms throughout the year, including in-person meetings, conference calls, and discussions at conferences.	

(Character limit: 3,000 characters, including spaces)

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

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 in laying the foundation for future impact in addressing underserved market needs? (limit: 3,000 characters, including spaces)**

Our PC Swap execution has several features that have a high impact on the market and for SFIs:

- a. It allows SFIs to recycle capital for more lending in their communities. Small financial institutions often hold their multifamily loans on their balance sheet, which limits their potential to do new business and support more renters and communities and concentrates risk within particular institutions. This offering gives SFIs the benefit of having loans converted into marketable securities that include Freddie Mac's guarantee. We understand from our discussions with SFIs that this offering will alleviate the cost associated with meeting regulatory requirements that constrain these institutions' abilities to generate new small multifamily loans.
- b. Flexible structuring options for the securities allow SFIs to sell or retain securities and realize sales proceeds at settlement or achieve improved risk-weighted assets on their balance sheet.
- c. SFIs have the potential to be approved as a primary servicer of the underlying loans following settlement, which enables the banks to remain in a customer-facing position on the underlying loans while also receiving a servicing compensation fee.

As part of our suite of seasoned pool offerings for SFIs, PC Swap creates additional liquidity in the market and promotes more lending from these institutions in support of low-and moderate-income renters. We have seen the impact of this offering already through our securitization with Impact Community Capital. The total securitization was approximately \$141MM (\$18.5MM applied to DTS units in 5-50 unit properties) and supported approximately 5,800 units in 77 properties and provided liquidity to Impact Community Capital so they can continue to lend to support small multifamily properties. Almost all of these units were affordable at DTS qualifying rent levels (100% AMI), with 61.8% affordable at 50%, 97.8 at 80%, and 99.7% at 100% AMI. The pool also provided 167 Rental Assistance Demonstration units and 2,256 seniors units.

2. **What did the Enterprise learn from its work about the nature of underserved market needs and how to address them? (limit: 1,500 characters, including spaces)**

Based on our successful PC Swap execution with Impact Community Capital, and our market discovery efforts, we learned three key lessons:

- a. PC Swap is valuable for smaller intuitions who prefer smaller pool sizes. Because this execution creates a PC for each loan in a pool, it does not require as many loans in a pool, and pool size can be more

easily varied. This makes it a good fit for institutions with smaller balance sheets – such as CDFIs-- looking for liquidity.

- b. PC Swap is a good fit for smaller individual loans sizes as well, particularly for 9% LIHTC debt. Often 9% LIHTC loans can have low loan amounts because 9% LIHTC equity and soft subordinate debt make up the majority of the capital stack. Typical loans on 9% LIHTC properties may be under \$3 million, and sometimes are far less. Because of this, SFIs are a vital source of debt for these properties. Providing liquidity to SFIs allows them to maintain their ability to support these important properties, which often support some of the most vulnerable populations.
- c. Of the SFIs that may be candidates for PC Swap (and have interest in working with Freddie Mac), only a fraction of these institutions likely hedge their portfolios—an important point when considering that interest rate volatility can impact the ability for seasoned pool transactions to be economically viable. This combination of factors suggests that this is a specialized market without predictable frequency of transactions.

3. **Optional: If applicable, why were all components of this objective not completed? (limit:1,500 characters, including spaces).**

Not applicable

Second Quarter Loan Products Narrative Reporting Template

FREDDIE MAC

AFFORDABLE HOUSING PRESERVATION

Q2 2019

EVALUATION AREA: PRODUCT

ACTIVITY:

Activity 5 – Financing of Small Multifamily Rental Properties: Regulatory Activity

OBJECTIVE:

Objective C: Develop a new offering for Small Balance Loan Participation Certificate (PC) Securitization

ACTIONS:

We are on track to meet or exceed this objective in 2019. In 2019, Freddie Mac has three goals under this objective: (1) develop and implement an internal credit policy for small balance loan PC securitization, (2) publish an official term sheet, and (3) gather feedback from small financial institutions, HFAs, CDFIs, and community banks with which we engage in PCs to refine this offering as necessary.

This offering leverages the Seasoned Pool credit policy developed in 2018 in conjunction with our other small financial institution seasoned pool offerings (Activity 5, Objectives A and B). We completed our first seasoned pool PC securitization with a DTS qualifying institution— Impact Community Capital, with Impact Community Capital, a CDFI with 20+ years of experience making debt and equity investments in deeply affordable housing communities nationwide. This transaction converts loans from Impact into liquid securities such that Impact can sell them to generate cash. Impact will utilize this recycled cash to invest in new projects.

We were able to garner feedback from this execution.

In the second half of 2019, we will publish a term sheet for this offering.

Planned Actions	Actions Taken
<i>Develop and implement internal credit policy for small balance loan PC securitization that will enable lenders to lend more for small multifamily properties while promoting market safety and soundness.</i>	<i>Completed. This offering leverages the Seasoned Pool credit policy published in 2018.</i>
<i>Publish an official product term sheet on our website that identifies the product and the acceptable terms.</i>	<i>In progress. The term sheet is under development and we anticipate it will be published in the second half of the year.</i>
<i>Gather feedback from the small financial institutions, HFAs, CDFIs, and community banks with whom we engage in PCs (or attempt to) under Objective D, to refine this offering over time as necessary.</i>	<i>In progress. In the first half of 2019 we completed a PC securitization with a CDFI. Through this transaction we received feedback on the offering and will use the feedback to refine the offering as appropriate.</i>

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):

If the Enterprise is not on target to meet or exceed the objective, the Enterprise should briefly explain why.

(Character limit: 1,000 characters, including spaces)