

2 0 1 9

A N N U A L  
H O U S I N G  
A C T I V I T I E S  
R E P O R T



## Having adequate affordable housing generates long-lasting benefits for families, communities and the economy overall.

Yet finding such a home is a challenge for tens of millions of families across the country. Nearly one-third of U.S. households are cost-burdened, meaning they spend more than 30% of their income on housing.

Working together with our customers and the housing industry, Freddie Mac makes housing more accessible and affordable for homebuyers and renters nationwide. Since our creation in 1970, we have helped make home possible more than 80 million times. We are committed to delivering expertise and leadership to support the U.S. housing finance system and ensure more families have access to a safe, decent and affordable place to call home.

Submitted to Congress and the Federal Housing Finance Agency under §307(f) of the Federal Home Loan Mortgage Corporation Act (12 U.S.C. §1456(f)) and FHFA regulations (12 C.F.R. §1282.63)



### TABLE OF CONTENTS

Introduction	1
Single-Family Business	2
Multifamily Business	2
A. Purchase Volumes	3
B. Demographics	5
C. Purchases in Conjunction with Public Subsidies	8
D. First-time Homebuyers	8
E. Loan-to-value Ratios	9
F. Securitization vs Portfolio Activity	10
G. Standards & Processes	10
H. Primary & Secondary Multifamily Market Trends	12
I. Delinquency & Default Rate Trends	14
J. Seller/Service Networks	16
K. Activities with Community Entities, Government Agencies & HFAs	17



### Single-Family Business

Our Single-Family business supports responsible, sustainable homeownership for borrowers throughout the United States.

In 2019, Freddie Mac renewed its commitment to affordable housing by focusing further on very low- to moderate-income borrowers, underserved markets and solutions to overcome common barriers to achieving and maintaining homeownership. An example includes updating income limits for the Home Possible® mortgage to prioritize those borrowers who are most in need of lower down payment options. By making this change, Freddie Mac can better manage the overall market environment, regulatory requirements, such as our affordable housing goals, and taxpayer interests. Working with our client partners, we're helping affordable lending by developing the products and resources that promote real results for businesses and a sense of access for borrowers.



**\$453b** in liquidity provided to the market



**1.7m** families helped buy and refinance homes



**\$79b** in Home Possible mortgages in less than 5 years



**\$1.4t** worth of single-family mortgages for which we have transferred a portion of credit risk



### Multifamily Business

Working with a network of specialized lenders, Freddie Mac Multifamily provides funding for loans on properties ranging from five to hundreds of units. We support all types of multifamily properties nationwide, including conventional, subsidized “targeted affordable” housing, smaller multifamily buildings and seniors housing.

At its core, our Multifamily business provides affordable rental housing to millions of low and moderate-income American families. Our loan products, underwriting and world-class securities help bring financing to every corner of the multifamily market and preserve much-needed affordable housing, while transferring the majority of risk away from taxpayers.



**\$78.4b** in total liquidity provided, to finance rental housing units, including \$500 million in LIHTC Equity Investments



**>809k** rental units financed, 94% of which were affordable to families making at or below 120% of area median income



**\$75.5b** in multifamily loans securitized transferring the vast majority of risk to private investors



**\$500m** of Low-Income Housing Tax Credit equity investment supporting affordable housing in historically underserved markets

At this time, based on preliminary information, Freddie Mac believes it met all five of its single-family affordable housing goals and all three of its multifamily housing goals for 2019. The remainder of the report describes in detail our achievements toward the 2019 housing goals that FHFA established for Freddie Mac.

## Introduction

Pursuant to section 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 submit annually 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) a report on its activities under subpart B of part 2 of subtitle A of the Federal Housing Enterprises Financial Safety and Soundness Act of 1992, as amended, 12 U.S.C. §§ 4561 et seq.

The following constitutes Freddie Mac's 2019 Annual Housing Activities Report to Congress and FHFA under section 307(f) and FHFA regulations at 12 C.F.R. 1282.63.<sup>1</sup>

### 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.

In 2019, Freddie Mac purchased more than 1.6 million mortgages on single-family owner-occupied properties, and more than 5,600 mortgages on multifamily properties.<sup>2</sup>

**Exhibit A-1** summarizes our performance for the single-family affordable housing goals, listing for each affordable housing goal the regulatory benchmark, our performance against the benchmark in 2019, the dollar volume of goal-qualifying mortgages that Freddie Mac purchased in 2019, and the number of goal-qualifying mortgages.

#### EXHIBIT A-1:

### Freddie Mac's 2019 Single-Family Affordable Housing Goals Performance

	2019 BENCHMARK	2019 MARKET	2019 PERFORMANCE	VOLUME (\$MILLIONS)	OWNER-OCCUPIED MORTGAGES FINANCED
Low-Income Purchase Goal	24%	To be determined by FHFA	27.4%	\$40,214	235,811
Very Low-Income Purchase Goal	6%	To be determined by FHFA	6.8%	\$7,302	58,136
Low-Income Areas Purchase Goal	19%	To be determined by FHFA	22.9%	\$41,181	197,482
Low-Income Areas Subgoal	14%	To be determined by FHFA	18%	\$33,368	154,723
Low-Income Refinance Goal	21%	To be determined by FHFA	22.4%	\$26,953	159,322

Note: Figures calculated by Freddie Mac.

<sup>1</sup> The statistical and financial information included in this Report and in the tables referenced in 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 certain tables included in Freddie Mac's 2019 Annual Mortgage Report (2019 AMR). The 2019 AMR is being delivered to FHFA with this report.

<sup>2</sup> The vast majority of these single-family and multifamily mortgages funded "eligible housing units" for purposes of the housing goals, and thus was used as the basis for calculating our performance under the housing goals.

**Exhibit A-2** summarizes our performance for the multifamily affordable housing goals, listing for the multifamily goal and subgoals, the regulatory targets, our performance against the targets in 2019, and the dollar volume of goal-qualifying units that Freddie Mac financed in 2019.

**EXHIBIT A-2:**

**Freddie Mac's 2019 Multifamily Affordable Housing Goals Performance**

	2019 BENCHMARK (UNITS)	2019 PERFORMANCE (UNITS)	VOLUME (\$MILLIONS)
Low-Income Goal	315,000	455,451	\$39,876
Very Low-Income Subgoal	60,000	112,785	\$8,531
Low-Income Subgoal (5 – 50 Unit Properties)	10,000	34,847	\$3,088

Note: Volume includes UPB amounts related to underlying Multifamily units with and without rental information, as reflected on Table 3A of the 2019 AMR.  
Source: Figures calculated by Freddie Mac.

Pursuant to FHFA regulations,<sup>3</sup> Freddie Mac may achieve a single-family housing goal or subgoal by meeting or exceeding either the FHFA benchmark or the share of qualifying loans originated by the market, as calculated from Home Mortgage Disclosure Act (HMDA) data. Freddie Mac may achieve a multifamily housing goal or subgoal by meeting or exceeding the FHFA benchmark.

Based upon our preliminary single-family and multifamily results, we believe we achieved all housing goals and subgoals by exceeding the FHFA benchmarks in 2019. Our official performance will be determined and published by FHFA.

In 2019, Freddie Mac also financed 11,582 low-income rental units in single-family 2–4 unit properties in which an owner-occupant resides in one unit.

---

*Based upon our preliminary single-family and multifamily results, we believe we achieved all housing goals and subgoals by exceeding the FHFA benchmarks in 2019.*

<sup>3</sup> 12 CFR §1282.12.

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

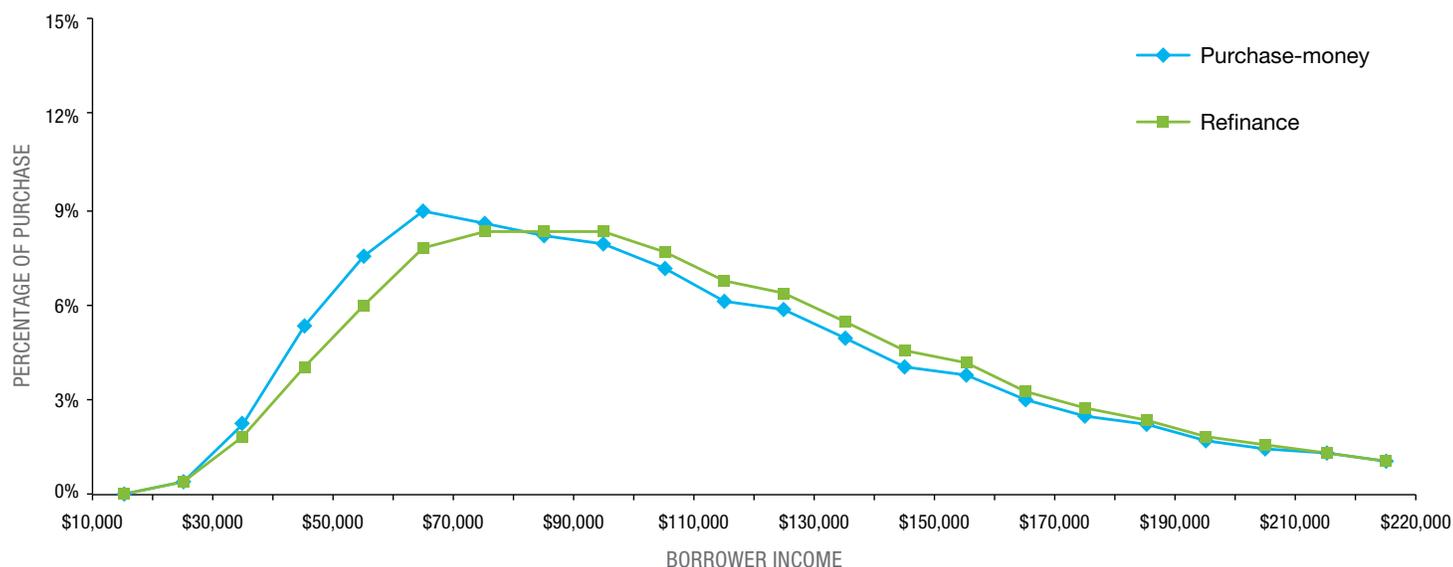
§ 307(f)(2)(B) requires that this report include, in aggregate form and by appropriate category, statements of the number of families served by the Corporation, the income class, race, and gender of homebuyers served, the income class of tenants of rental housing (to the extent such information is available),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

In 2019, Freddie Mac financed housing for over 2.6 million families, including more than 1.8 million single-family owner-occupied and rental units and more than 800,000<sup>4</sup> multifamily rental units.

The following exhibits provide the information required under § 307(f)(2)(B).

### EXHIBIT B-1:

#### Freddie Mac's 2019 Single-Family Owner-Occupied Mortgage Purchases, by Borrower Income

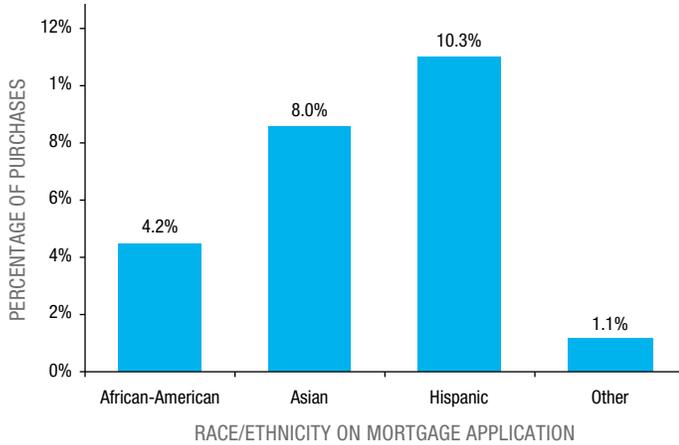


Source: Freddie Mac internal data. Exhibit B-1 represents the vast majority of Freddie Mac's Single-Family purchase-money and refinance mortgage purchase activity by income.

<sup>4</sup> Additionally, Freddie Mac provided financing for approximately 7,800 multifamily cooperative units.

EXHIBIT B-2:

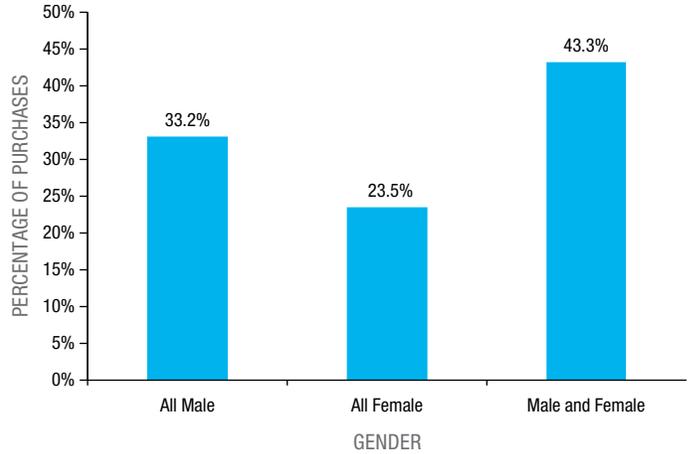
**Freddie Mac's 2019 Single-Family Owner-Occupied Mortgage Purchases, by Race/Ethnicity of Minority Borrowers**



Note: The "Other" category includes American Indian or Alaskan Native, Native Hawaiian or Other Pacific Islander, mortgages that have White and minority co-borrowers, and mortgages where a borrower defines him or herself to be of two or more races. 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. 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.  
Source: Table 5A & 5B of the 2019 AMR.

EXHIBIT B-3:

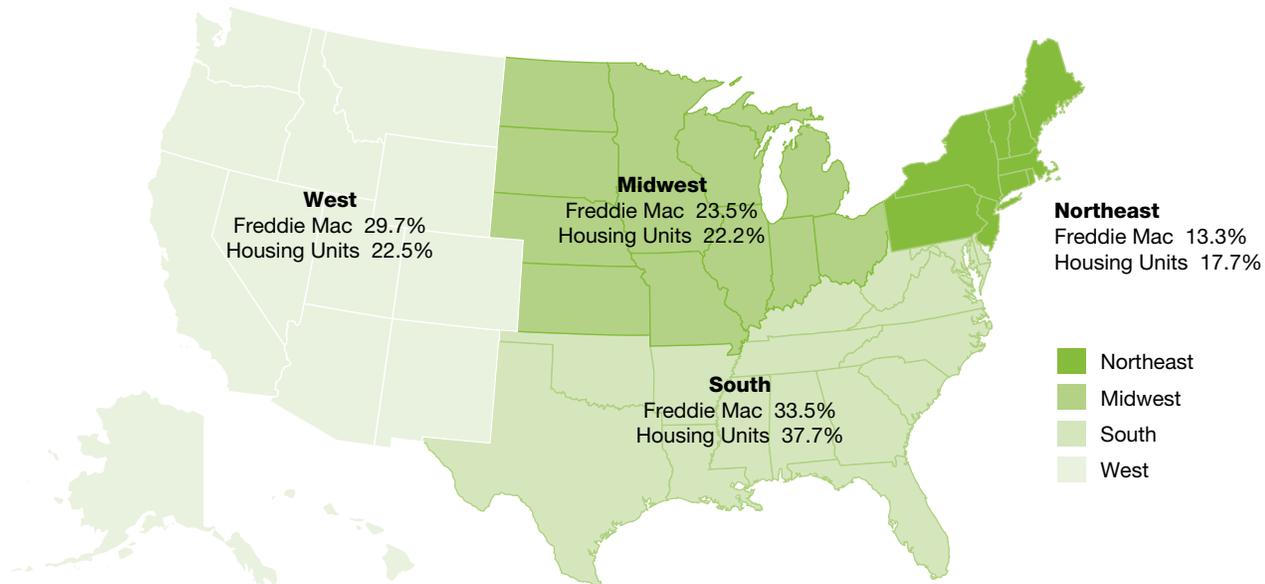
**Freddie Mac's 2019 Single-Family Owner-Occupied Mortgage Purchases, by Borrower Gender**



Note: These calculations exclude those mortgages for which we do not have borrower gender information.  
Source: Table 6 of the 2019 AMR.

EXHIBIT B-4:

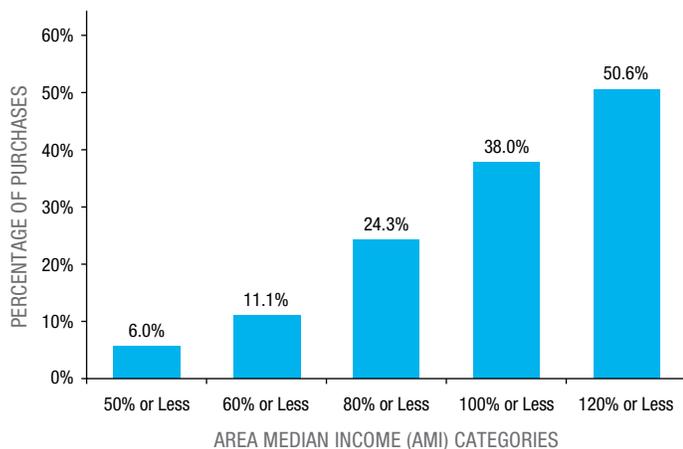
**Freddie Mac's 2019 Single-Family Units Compared to 2018 Occupied Single-Family Housing Units, by Census Region**



Note: Does not include Puerto Rico, Guam or U.S. Virgin Islands.  
Sources: Table 10A for Freddie Mac data and Housing Unit data from 2018 American Community Survey.

EXHIBIT B-5:

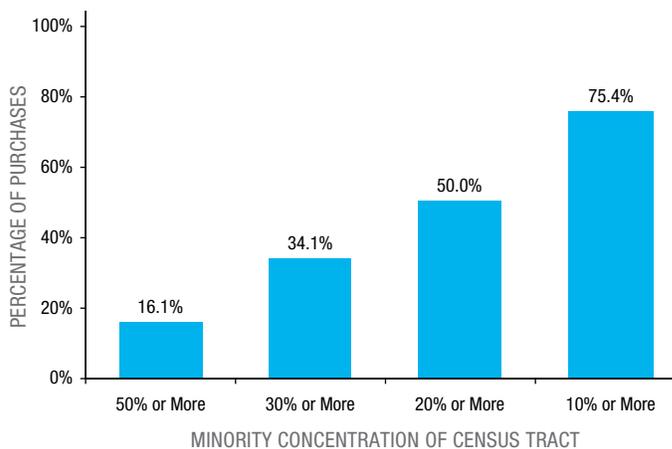
**Freddie Mac's 2019 Single-Family Owner-Occupied Mortgage Purchases, by Borrower Income Relative to Area Median Income**



Note: These calculations exclude those mortgages for which we do not have borrower income information.  
Source: Table 2 of the 2019 AMR.

EXHIBIT B-6:

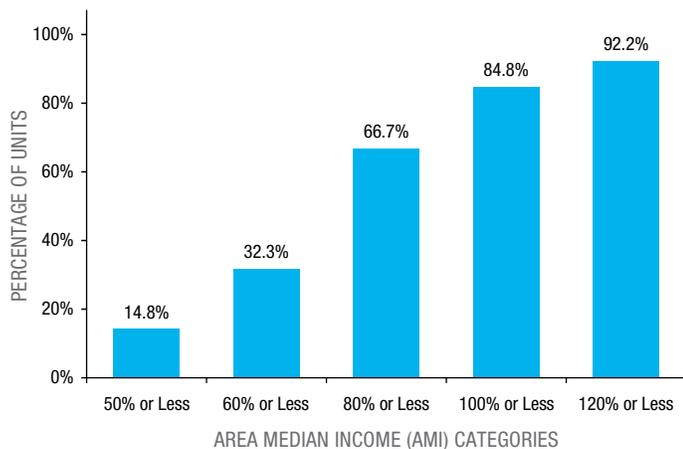
**Freddie Mac's 2019 Single-Family Owner-Occupied Mortgage Purchases, by Minority Concentration of Census Tract**



Source: Table 7 of the 2019 AMR.

EXHIBIT B-7:

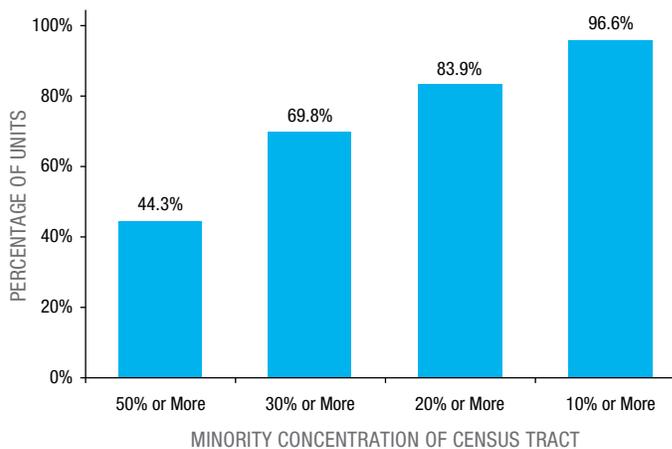
**Freddie Mac's 2019 Multifamily Rental Units, by Affordability Relative to Area Median Income**



Note: These calculations exclude single-family rentals and those rental units for which we do not have rent information.  
Source: Table 3A of the 2019 AMR.

EXHIBIT B-8:

**Freddie Mac's 2019 Multifamily Rental Units, by Minority Concentration of Census Tract**



Note: These calculations exclude single-family rentals and those rental units for which we do not have tract information.  
Source: Table 8A of the 2019 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 2019, Freddie Mac purchased or guaranteed almost \$126 million in single-family mortgages (financing approximately 850 mortgages) and approximately \$12.03 billion in multifamily mortgages (financing approximately 161,000 units)<sup>5</sup> that had been used in conjunction with various federal public subsidy programs including the following:

- the Federal Housing Administration (FHA) program;
- the Department of Veterans Affairs (VA) program;
- the U.S. Department of Agriculture's Guaranteed Rural Housing program;
- Mortgage Revenue Bonds (MRBs) issued by various state and local housing finance agencies (HFAs);
- Low Income Housing Tax Credits (LIHTC); and
- Section 8 and Section 236 programs.

In addition, Freddie Mac securitizes pools of multifamily mortgage revenue bonds under its Tax-Exempt Bond Securitization (TEBS) execution and credit enhances tax-exempt multifamily mortgage revenue bonds through its bond credit enhancement program. These multifamily transactions totaled approximately \$1.33 billion in 2019, financing approximately 11,000 units. Freddie Mac also purchases tax-exempt loans (TEs) from HFAs. In 2019, these TEL multifamily transactions totaled around \$1.37 billion, financing approximately 15,000 units.

---

*In 2019, Freddie Mac purchased almost 395,000 mortgages of first-time homebuyers, representing 45.9% of our owner-occupied, purchase money mortgages.*

### 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 2019, Freddie Mac purchased almost 395,000 mortgages of first-time homebuyers, representing 45.9% of our owner-occupied, purchase money mortgages for which information on the borrower's ownership history is available.<sup>6</sup>

Freddie Mac facilitated homeownership opportunities for first-time homebuyers through its Single-Family products, programs, and services. In particular, Freddie Mac's Single-Family Affordable Lending and Access to Credit organization continues to focus its efforts on meeting the needs of first-time and underserved homebuyers through responsible offerings, the development of strong relationships and a heightened focus on broadening access to credit. For example, Freddie Mac's affordable Home Possible, Home Possible Advantage® and HFA Advantage® mortgage products continue to gain interest and have been very successful in providing financing for first-time homebuyers. As of December 31, 2019, 78.2% of all mortgages from our Home Possible suite were attributable to first-time homebuyers. Additionally, Freddie Mac continues to engage non-profit organizations, lenders and housing

<sup>5</sup> Approximately 87,000 of these units were Section 8, LIHTC, and Section 236 supported units.

<sup>6</sup> We do not have information on the borrower's ownership history for 0.11% (958) of the single-family, owner-occupied, purchase money mortgages we purchased in 2019. Therefore, we excluded those mortgages from the calculations underlying the information presented in this section.

professionals in educational and outreach initiatives designed to inform and prepare homebuyers and homeowners on how to build and maintain better credit, make sound financial decisions and understand the steps to successful long-term homeownership.

These actions complement the significant outreach and business-related activities Freddie Mac is continuously engaged in with our Single-Family lenders and State and Local Housing Finance Agencies. For more information on these and other areas that Freddie Mac is engaged in support of affordable housing, please see Section K.

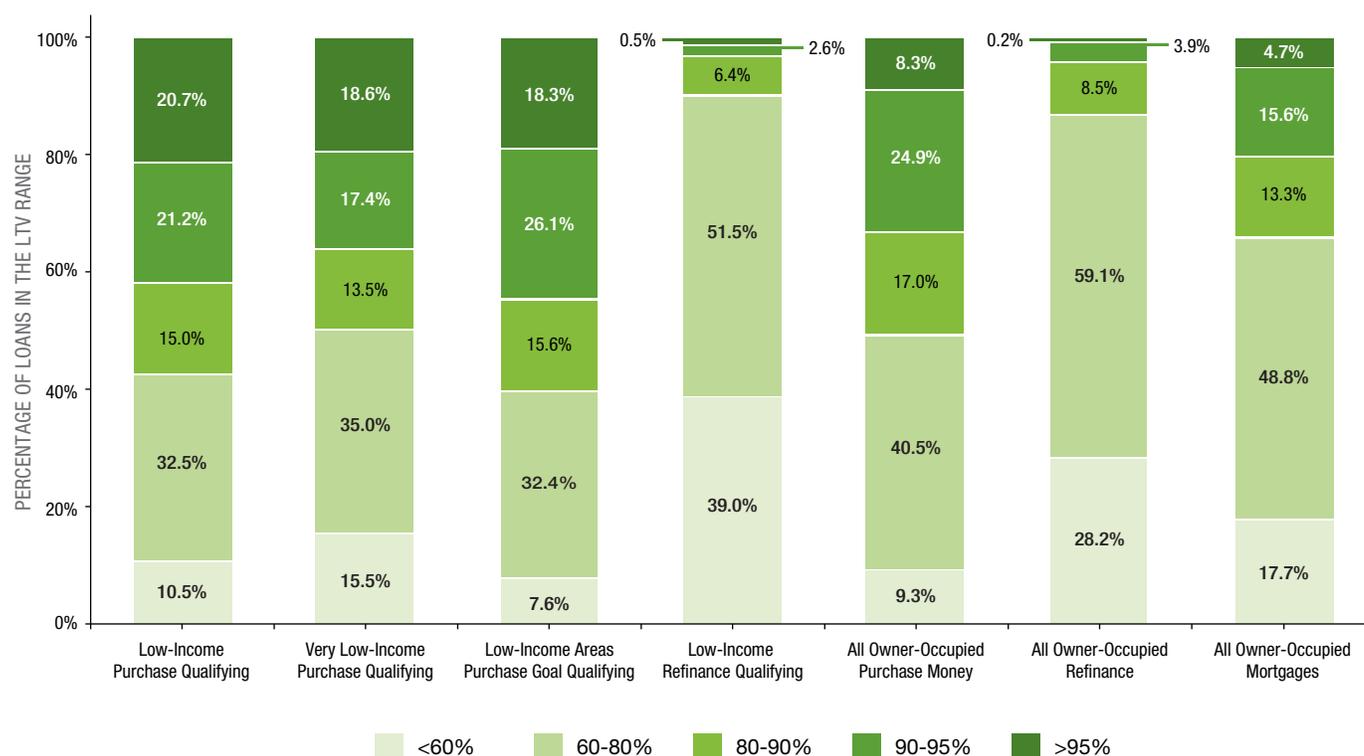
### E. Information Required Under § 307(f)(2)(E)

§ 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-valueratios of purchased mortgages at the time of origination].

**Exhibit E** compares the LTV distribution on the goal-qualifying, single-family owner-occupied mortgages acquired by Freddie Mac in 2019 to the LTV distribution on all single-family owner-occupied mortgages acquired by Freddie Mac in 2019, as measured at the time of origination.

#### EXHIBIT E:

#### Distribution of Freddie Mac Single-Family Owner-Occupied Mortgage Purchases by LTV



Note: These calculations exclude those mortgages for which we do not have LTV information.  
Source: Table 11 of the 2019 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 2019, Freddie Mac securitized approximately \$518 billion in single-family and multifamily mortgage loans. We had total portfolio acquisitions of \$391 billion. In 2019, Freddie Mac's portfolio decreased by \$5 billion.

## 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.<sup>7</sup>

Freddie Mac regularly evaluates market conditions, the credit environment and the performance of our mortgage purchases in an effort to ensure that our underwriting standards, business practices, repurchase requirements, pricing, fees and procedures serve our mission to provide liquidity and stability to the conforming mortgage market, and to promote affordable housing and fair lending.

During 2019, Freddie Mac continued to take steps consistent with prudent risk management to manage the risk of our credit terms, provide mortgage credit risk leadership in the marketplace, and help lenders make mortgage financing available for homeowners on terms intended to sustain successful homeownership. In doing so, Freddie Mac made the following significant credit policy changes and enhancements in 2019 to help serve low- and moderate-income families:

### CHOICERenovation<sup>SM</sup>

Introduced CHOICERenovation<sup>8</sup> which allows borrowers to utilize mortgage loan proceeds to pay for repairs and/or improvements to their property without having to obtain interim construction financing prior to securing permanent financing. With this change, our Sellers were given the ability to offer borrowers the flexibility to complete renovations up to one year from the note date.

### GreenCHOICE Mortgages<sup>SM</sup> Enhancement

Expanded our current GreenCHOICE Mortgages<sup>9</sup> offering by:

- Providing the flexibility to finance the costs of energy and/or water efficiency improvements completed prior to the note date with proceeds from a “no-cash out” refinance;
- Permitting borrowers to perform basic energy improvements up to \$6,500 without obtaining an energy report; and
- Combining GreenCHOICE Mortgages with low-down payment Home Possible and HomeOne<sup>SM</sup> mortgage products.

<sup>7</sup> As implemented by § 81.43(a) of the U.S. Department of Housing and Urban Development's regulations, 24 C.F.R. § 81.43(a) (2005).

<sup>8</sup> <https://sf.freddie.com/working-with-us/origination-underwriting/mortgage-products/choicerenovation>.

<sup>9</sup> <https://sf.freddie.com/working-with-us/origination-underwriting/mortgage-products/greenchoice-mortgages>.

## Home Possible Mortgage Enhancements

Updated Home Possible income limits to require a borrower's qualifying income, converted to an annual basis, must not exceed 80% of the Area Medium Income for the location of the mortgaged premises. This change sharpened our focus on serving very low- and low-income borrowers.

## Manufactured Housing Products and Enhancements

- Introduced CHOICEHome<sup>SM,10</sup> an innovative, affordable mortgage product offering conventional site-built financing for real-property factory-built homes built to U.S. Housing and Urban Development Code, and that have the features of a site-built home.
- Created underwriting flexibilities by reducing the minimum credit score required for manually underwritten manufactured housing, and permitting borrower eligibility to be assessed through Freddie Mac's Loan Product Advisor®.
- Permitting manufactured home mortgage proceeds to pay the outstanding balance under an existing land contract or contract for deed.

## Resale Restriction Requirements

- Introduced new and revised requirements to facilitate a secondary market for mortgages secured by income-based resale restricted properties that use deed restrictions, subordinated loans, or similar legal mechanisms with provisions to keep a home affordable for subsequent very low-, low-, or moderate-income borrowers.
- Provided guidance for appraisal comparable sales selection when resale restrictions terminate and when they survive foreclosure or recordation of a deed-in-lieu of foreclosure.

## Sales Comparison Appraisal Requirements

- Modified accessory dwelling unit comparable sales requirements in order to provide financing flexibility when a comparable sale with accessory dwelling unit is not otherwise available.
- Acknowledged that large adjustments to comparable sales typically occur in rural markets due to limited market activity, further clarifying that Freddie Mac does not have limitations on gross or net adjustment percentages in these markets.
- Clarified that the cost approach to value may be appropriate for properties with unique styles, construction methods or property features such outbuildings, barn conversions/barn style buildings, living-space and work/storage combinations, berm homes, log homes and geodesic dome dwellings.

---

*Updated Home Possible income limits sharpened our focus on serving very low- and low-income borrowers by requiring that a borrower's qualifying income, converted to an annual basis, must not exceed 80% of the Area Medium Income.*

---

<sup>10</sup> <https://sf.freddie.com/working-with-us/affordable-lending/duty-to-serve/manufactured-housing/choicehome>.

## Additional Mortgage Financing Enhancements

- Revised policies to permit borrower alimony and maintenance payments to be treated as a deduction from stable monthly income, rather than a liability when qualifying a borrower.
- Streamlined policies on the use of non-fluctuating and fluctuating borrower income for hourly, commission, bonus, overtime and tip income to add greater specificity.
- Reiterated that student loan payments may be excluded from debt-to-income ratios under certain circumstances.
- Expanded the use of a borrowers' leave and earnings statements from no more than 30 days, to no more than 120 days, prior to the note date creating an opportunity for cost savings for the lender and loan process efficiency.

### 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

Apartment completions are an indication of the supply of rental housing. Net absorption, which is a measurement of the rate at which available apartments are occupied, is an indication of demand for rental housing. Completions slightly outpaced net absorption in 2019, but vacancy rates remained relatively flat and below the long-term average of 5.4% from 2000 to 2019. Effective rent growth (i.e., the average rent paid by the tenant over the term of the lease, adjusted for concessions by the landlord and costs borne by the tenant) declined from prior years, but was higher than the long-term average of 3.1% from 2000 to 2019.

Multifamily property prices continued to grow, with 9.6% annualized growth in 2019, indicating a healthy multifamily market and strong demand for multifamily loan products due to solid multifamily market fundamentals. Multifamily market fundamentals were primarily driven by a healthy job market, population growth, high propensity to rent among young adults, and rising single-family home prices. We expect continued growth in the multifamily mortgage market during 2020 due to these same drivers.

While the multifamily mortgage market grew, our share of multifamily mortgage debt outstanding remained flat during 2019 due to ongoing competition from other market participants, which we expect to continue. Growth was also limited due to a revised loan purchase cap structure for the multifamily business announced by FHFA in 3Q 2019. The loan purchase cap will be \$100.0 billion for the five-quarter period from 4Q 2019 through 4Q 2020 and applies to all multifamily business activity, with no exclusions. At least 37.5% of new multifamily business must be mission-driven, affordable housing over the same five-quarter period.

---

*Multifamily property prices continued to grow, with 9.6% annualized growth in 2019, indicating a healthy multifamily market and strong demand for multifamily loan products due to solid multifamily market fundamentals.*

We report multifamily delinquency rates based on the UPB of loans in our multifamily mortgage portfolio that are two monthly payments or more past due or in the process of foreclosure, as reported by our servicers. Loans that have been modified (or are subject to forbearance agreements) are not counted as delinquent as long as the borrower is less than two monthly payments past due under the modified (or forbearance) terms. Our multifamily delinquency rates during 2019 remained low compared to other industry participants, ending the year at eight basis points, primarily due to our prior-approval underwriting approach and strong multifamily market fundamentals.

### Freddie Mac Multifamily Financing and Initiatives

During 4Q 2019, our total new business activity subject to the new cap was \$17.5 billion. Approximately 36% of this activity was mission-driven, affordable housing. Furthermore, during 2019, we continued our support of workforce housing through our continued purchases of small balance loans Green Advantage loans. Outstanding commitments, including index lock commitments and commitments to purchase or guarantee multifamily assets, were \$14.6 billion and \$18.7 billion as of December 31, 2019 and December 31, 2018, respectively.

Our new business activity was slightly higher for 2019 than 2018 due to continued strong demand for multifamily financing and healthy multifamily market fundamentals driving continued growth in overall multifamily mortgage debt outstanding. The portion of our new mortgage loan purchase activity that was classified as held-for-sale and intended for our securitization pipeline decreased to 87% in 2019 from 93% in 2018 due to an increase in the issuance of fully guaranteed and consolidated other securitizations as we continued to refine the disposition path for certain loan products. The purchase activity that remained in our securitization pipeline as of December 31, 2019, combined with market demand for our securities, will be a driver for our primary securitizations in the first two quarters of 2020.

### Standardization and Securitization

Our primary business model is to acquire multifamily loans for aggregation and then securitization. The returns we generate from these activities are primarily derived from (i) the net interest income we earn on the loans prior to their securitization, (ii) the price received upon securitization of the loans versus the price we paid to acquire the loans, and (iii) the ongoing guarantee fee we receive in exchange for providing our guarantee primarily on the issued senior securities. We evaluate these factors collectively to assess the profitability of any given transaction and to maximize our returns.

Through our Optigo network of approved lenders, we offer borrowers a variety of loan products for the acquisition, refinance, and/or rehabilitation of multifamily properties. While our Optigo lenders originate the loans that we purchase, we use a prior-approval underwriting approach, in contrast to the delegated underwriting approach used in our Single-family Guarantee segment and Fannie Mae's Delegated Underwriting and Servicing (DUS) program. Under this approach, we maintain credit discipline by completing our own underwriting, credit review, and legal review for each loan prior to issuing a loan purchase commitment, including reviewing third-party appraisals and performing cash flow analysis. We also price every loan or transaction based on the specific terms, structure, and type of execution.

Our securitization activities generally (i) provide us with a mechanism to finance our loan product offerings, (ii) reduce our credit risk, interest-rate risk, and liquidity risk exposure on the loans that we purchase, and (iii) reduce our conservatorship capital required under the Conservatorship Capital Framework. For multifamily loans that we do not intend to securitize, we may pursue other strategies, including the execution of other credit risk transfer products designed to transfer to third parties all or a portion of the loans' credit risk, thereby reducing taxpayer exposure.

Since 2009, we have transferred a portion of the credit risk related to \$389.6 billion in UPB of multifamily loans through our securitizations, primarily K Certificates and SB Certificates, and other credit risk transfer products. As of December 31, 2019, we had cumulatively transferred the large majority of expected and stress credit risk on the multifamily guarantee portfolio primarily through subordination on our securitizations. In addition, nearly all of our securitization activities shifted substantially all of the interest-rate and liquidity risk associated with the underlying collateral away from Freddie Mac to third-party investors. Our primary securitization products are K Certificates and SB Certificates, which transfer substantially all of the interest-rate risk, liquidity risk, and credit risk of the underlying collateral. Our other securitization products involve the issuance of pass-through securities that represent beneficial interests in trusts that hold pools of multifamily loans.

*Since 2009, we have transferred a portion of the credit risk related to \$389.6 billion in UPB of multifamily loans through our securitizations, primarily K Certificates and SB Certificates, and other credit risk transfer products.*

### **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-income families.

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 **Exhibit I** (on the following page), the chart compares Early 90-day delinquencies (occurring within the first 12 months of acquisition) and defaults.<sup>11</sup>

<sup>11</sup> The information presented in this section and in Exhibit I is based upon an analysis of unseasoned, conforming, conventional, forward amortizing, first lien, non-Graduated Equity Mortgages/Graduated Payment Mortgages. 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:**
**Relative Early 90-Day Delinquency and Default Rates between Freddie Mac Single-Family Loans Serving Low- and Moderate-Income Families and Loans Serving Families with Income above the Median Level, by Year**

ACQUISITION YEAR	INCOME GROUP	LIKELIHOOD OF SERIOUS EARLY 90-DAY DELINQUENCY	INCREASED LIKELIHOOD OF SERIOUS EARLY 90-DAY DELINQUENCY	LIKELIHOOD OF DEFAULT	INCREASED LIKELIHOOD OF DEFAULT
2002	Above Median Income	0.2%		0.6%	
	Low-Mod Income	0.5%	184%	2.2%	261%
2003	Above Median Income	0.1%		0.7%	
	Low-Mod Income	0.3%	172%	2.2%	207%
2004	Above Median Income	0.2%		1.6%	
	Low-Mod Income	0.4%	132%	3.8%	137%
2005	Above Median Income	0.3%		3.8%	
	Low-Mod Income	0.5%	75%	6.1%	61%
2006	Above Median Income	0.7%		7.6%	
	Low-Mod Income	0.8%	16%	8.9%	17%
2007	Above Median Income	2.0%		9.6%	
	Low-Mod Income	2.2%	13%	12.2%	26%
2008	Above Median Income	1.4%		3.5%	
	Low-Mod Income	2.0%	41%	6.4%	82%
2009	Above Median Income	0.2%		0.4%	
	Low-Mod Income	0.3%	94%	1.3%	199%
2010	Above Median Income	0.1%		0.3%	
	Low-Mod Income	0.2%	113%	1.0%	216%
2011	Above Median Income	0.1%		0.2%	
	Low-Mod Income	0.3%	137%	0.7%	232%
2012	Above Median Income	0.1%		0.2%	
	Low-Mod Income	0.3%	114%	0.7%	236%
2013	Above Median Income	0.1%		0.2%	
	Low-Mod Income	0.2%	130%	0.6%	226%
2014	Above Median Income	0.1%		0.1%	
	Low-Mod Income	0.2%	125%	0.4%	198%
2015	Above Median Income	0.1%		0.1%	
	Low-Mod Income	0.1%	112%	0.2%	161%
2016	Above Median Income	0.1%		0.0%	
	Low-Mod Income	0.2%	72%	0.1%	212%
2017	Above Median Income	0.4%		0.0%	
	Low-Mod Income	0.4%	8%	0.1%	191%
2018	Above Median Income	0.2%		0.0%	
	Low-Mod Income	0.2%	34%	0.0%	283%

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 1,568 Single-Family lenders and 48 active Multifamily lenders, benefiting borrowers and renters 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 Freddie Mac only occasionally.

Of the total Single-Family seller network, 1,104 Single-Family lenders sold mortgages to Freddie Mac in 2019, and approximately 79% the total Single-Family lender network are considered community-oriented lenders. In 2019, Freddie Mac purchased approximately \$23 billion in Single-Family mortgages from community-oriented lenders, approximately \$85 billion in Single-Family mortgages from regional lenders, and approximately \$12 billion and \$6 billion in Single-Family mortgages from lenders which identified themselves as minority-owned and women-owned, respectively. Freddie Mac's ongoing efforts to facilitate relationships with minority-owned, women-owned, and community-oriented lenders supported our continued ability to source mortgages from these lender institutions. Freddie Mac's Regional Lending and Community Lending segments serve small to medium size community banks, credit unions and independent mortgage bankers. In addition, our Client Care team serves small and very small institutions. In those segments, minority-owned and women-owned lenders are actively engaged by account executives, client relationship managers and sales management. They are engaged commensurate with their size and complexity, as we do with all of our clients. The impact of our efforts is reflected in a 27% two year growth rate in business volume with minority-owned lenders, inclusive of women-owned lenders as a sub-set.

We continued our alliances with Capital Markets Cooperative, The Mortgage Collaborative and Lenders One. The contract with Lenders One was active for most of the year, expiring in December 2019.

In 2019, 96 Single-Family lenders participated in our alliance programs, which provide additional services to our lender customers, including customized training opportunities and involvement in local and regional strategic market initiatives. Approximately 3.6% of Single-Family dollar volume was from community and regional lenders participating in our alliance programs.

During 2019, of the total active Multifamily lender network, 28 lenders sold the large majority of Multifamily mortgages to Freddie Mac,<sup>12</sup> two lenders sold mortgages pursuant to the Single-Family Rental pilot program (such pilot program has concluded as directed by FHFA)<sup>13</sup> and eight lenders participated in one-time structured transactions. The remaining ten active Multifamily lenders participated in one-time structured transactions in previous years. Of the total active Multifamily lender network, six such lenders identified themselves as community-oriented lenders and one such lender identified themselves as a woman-owned lender.

<sup>12</sup> These lenders include our Conventional, Targeted Affordable Housing, Seniors Housing and Small Balance Loan lenders.

This list is available at <http://www.freddiemac.com/multifamily/lenders/>.

<sup>13</sup> <https://www.fhfa.gov/Media/PublicAffairs/PublicAffairsDocuments/SFR-Decision-8212018.pdf>.

## 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.

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 sections describe some of these affordable activities Freddie Mac continued to take in 2019 that should also support the objectives of the Cranston-Gonzalez National Affordable Housing Act.

### HFA Activities

Freddie Mac recognizes the vital role housing finance agencies (HFAs) play in providing financing and programs that create housing opportunities for low to moderate income borrowers, and believes working collaboratively with HFAs is critical to advancing affordable, sustainable homeownership. To that end, Freddie Mac continues to explore and identify opportunities to partner with HFAs.

**Consistent and Sustainable Liquidity Source:** Our HFA Advantage mortgage product was specifically created to support state and local HFAs' affordable lending efforts. HFA Advantage allows 97% maximum loan-to-value (LTV) and 105% maximum total LTV ratio limits, offers preferential pricing, enables HFAs to apply their own mission-driven income limits, allows their preferred homebuyer education programs, and requires minimum mortgage insurance coverage. A growing number of HFAs offer HFA Advantage and it continues to gain momentum in the market. In 2019, 82.7% of HFA Advantage purchase mortgages were made to first-time homebuyers, and approximately 65.7% of the HFA loans delivered to Freddie Mac qualified for at least one single-family affordable housing goal.

**Outreach and Training:** In 2019, approximately 6,420 housing industry professionals including key personnel from HFA-approved participating lenders and realtor partners participated in 97 Freddie Mac-hosted HFA Advantage webinars and in-person training sessions nationwide. Freddie Mac's training sessions provided operational and technological support, consultation on Freddie Mac loan products and program design and housing market trends. Freddie Mac's numerous on-site visits, training offerings, continued presence at HFA conferences, and regularly scheduled calls and meetings with HFAs help us understand the evolving needs of our HFA customers.

**Collaboration, Input and Thought Leadership:** Freddie Mac's dedicated internal HFA teams focus on actively growing our relationships with state and local HFAs. We endeavor to seek HFAs' counsel on particularly innovative affordable housing activities in which they regularly engage. Additionally, HFAs we partner with actively participate in key corporate advisory groups such as the Affordable Housing Advisory Council, the Manufactured Housing Initiative Task Force, and the Affordable Housing Industry Transformation Working Group (AHIT) comprising HFAs, mortgage lenders who actively participate in HFA programs, a private mortgage insurer, document preparation firms, and HFA and mortgage industry trade organizations. In 2019, AHIT continued to pursue two HFA related initiatives identified in 2018: developing an industry standard database and user interface to capture, retain, and provide source-of-truth information for the hundreds of affordable down payment assistance (DPA) programs nationwide, and exploring development of a standard note and security instrument for subordinate affordable DPA program mortgages. Both initiatives focused on broader access to DPA programs, reducing production costs and potential errors related to originating, documenting and delivering loans, and enhancing the borrower's experience and understanding of their second loan obligations.

In mid-2019, the standard note and security instrument initiative presented the most effective opportunity for Freddie Mac to work with the HFA industry to support DPA programs in the near term. Model subordinate loan documents

were created for two states and a market adoption plan was developed to assess industry interest and potential obstacles to market adoption. By year end, the draft documents had been presented to various industry participants who in turn provided valuable feedback. A pilot evaluation process was devised to:

- a) define and measure short-term and long-term success of standardized legal documents;
- b) identify HFA pilot participants;
- c) determine if additional state specific notes and security instruments are needed; and
- d) continue engaging with Fannie Mae, pilot HFAs, Master Servicers, document providers, and key HFA participating lenders.

As of the end of 2019, three state HFAs have agreed to participate in the review process from both legal and business perspectives. As this effort progresses, we are optimistic additional industry participants will come to recognize the benefits of this effort and lend their support.

*Freddie Mac recognizes the vital role housing finance agencies play in providing financing and programs that create housing opportunities for low to moderate income borrowers.*

---

### Housing Finance Agency Initiative

On behalf of the U.S. Department of the Treasury, Freddie Mac continues to effectively manage the administration of the HFA Initiative – New Issue Bond Program (NIBP). As part of the Homeowner Affordability and Stability Plan, the HFA Initiative was an interim solution designed in 2009 to assist state and local HFAs' lending programs and support their infrastructure. To ensure effective and proper governance of the NIBP program, Freddie Mac employees from Single-Family, Multifamily, Counterparty Credit Risk and Legal continue to support Freddie Mac's administration of the NIBP jointly with Fannie Mae.

The Temporary Credit and Liquidity Program (TCLP), another component of the HFA Initiative, was successfully closed on December 31, 2015. The obligation to support this program continues, however the program is in run-off mode.

### Neighborhood Stabilization

In support of FHFA's Neighborhood Stabilization Initiative (NSI),<sup>14</sup> an effort to stabilize communities that had been hardest hit by the housing crisis, Freddie Mac continued its Block-by-Block initiative designed to revitalize urban neighborhoods that are continuing to recover from the recent economic housing crisis. Through collaboration with neighborhood organizations, local residents, and key stakeholders, the initiative is intended to help facilitate sustainable neighborhood recovery.

As part of the Greater Chatham Initiative,<sup>15</sup> Chicago's Greater Chatham neighborhood continues to experience a surge in neighborhood stabilization activities, as well as an increase in home purchases. Greater Chatham's Block-by-Block initiative, has helped facilitate more than 130 community events, resulted in more than 550 individuals receiving housing and/or financial counseling, and led to more than 40 new homeowners. Additionally, Neighborhood Housing Services of Chicago, the lead organization for this effort, was selected to administer Chicago's Neighborhood LIFT Program, which offered \$15,000 to \$17,500 in down payment assistance for qualified borrowers, further elevating the number of consumers participating in homebuyer education workshops.

---

<sup>14</sup> <https://www.fhfa.gov/PolicyProgramsResearch/Programs/Pages/Neighborhood-Stabilization-Initiative.aspx>.

<sup>15</sup> <http://www.greaterchathaminitiative.org/gci-welcome-center/>.

The Block-by-Block initiative in Baltimore, launched in 2016 to rebuild one of the city's hardest-hit neighborhoods, continues to make significant progress. The initiative's participating non-profit has completed the rehabilitation on seven properties acquired in 2018, with five remaining. They have also secured funding to build four new single-family homes in a target neighborhood in 2020. To date, this initiative has educated more than 1,600 individuals on homebuying and financial capability and provided approximately 300 housing industry professionals with information on affordable housing.

### Borrower Help Centers/Borrower Help Network

Freddie Mac continues to maintain its Borrower Help Centers & Borrower Network (BHC/N)<sup>16</sup> with selected HUD approved non-profit organizations in several metropolitan areas, as a single source of mortgage-related help with professional and tenured housing counselors. Through the BHC/N, we work with trusted national nonprofit intermediaries to support Freddie Mac's ongoing commitment of preparing prospective buyers for responsible homeownership and helping struggling borrowers avoid foreclosure. Given the success of the BHC/N in helping to reduce borrower delinquencies, the BHC/N repositioned its' purpose in the community to now focus on preparing potential homebuyers for homeownership through financial capability education, and homebuyer education and counseling. Freddie Mac is generally seeing a significant increase in the number of individuals seeking to enter or re-enter the housing market. Based on the need for housing counseling in rural markets, we opened our first borrower help center in rural Mississippi Delta in 2017. As a result, we created more opportunities in rural America, and the number of borrowers and potential borrowers touched has steadily increased. In 2019, more than 5,000 potential homebuyers received homebuyer education and/or counseling; more than 2,000 consumers received financial capability education and more than 100 consumer events were held including two homebuyer fairs.

In 2019, the BHC/N and other partners provided approximately 45,000 individuals with one-on-one pre-purchase counseling, homebuyer education to more than 46,000 consumers, financial capability education to more than 360,000 individuals, referred more than 10,000 potential homebuyers to lenders for homeownership opportunities, and provided foreclosure avoidance education and counseling to approximately 23,000 households.

### Other Initiatives with Non-Profits

Freddie Mac continues to engage non-profit organizations, lenders and housing professionals in educational and outreach initiatives designed to inform and prepare homebuyers and homeowners on how to build and maintain better credit, make sound financial decisions and understand the steps to successful long-term homeownership. CreditSmart<sup>®17</sup> is a suite of financial and homeownership education resources. The CreditSmart financial capability curriculum offers multilingual training opportunities three times per year in English and CreditSmart Español twice a year, along with outreach campaigns that include "Workforce Home Benefit," "Your Step-By-Step Mortgage Guide," "Get the Facts on Homeownership," and "Take Root".

*Freddie Mac's CreditSmart Homebuyer U offers six educational modules, each focusing on a key learning principle relating to money management, credit, getting a mortgage, the homebuying process and preserving homeownership.*

<sup>16</sup> [http://www.freddiemac.com/singlefamily/housingpros/help\\_centers.html](http://www.freddiemac.com/singlefamily/housingpros/help_centers.html).

<sup>17</sup> <http://www.freddiemac.com/creditsmart/>.

2019 continued to see a significant increase in the requests for CreditSmart training and materials from the non-profits we work with, lenders and minority realtor groups as they are seeing an increase in the numbers of potential borrowers wanting to enter or re-enter the home buying space. Freddie Mac values the importance of educating potential borrowers on the homebuying process. To support this belief, we created and rolled out our first homebuyer education curriculum, CreditSmart Homebuyer U in December 2019.<sup>18</sup> This curriculum offers six educational modules, each focusing on a key learning principle relating to money management, credit, getting a mortgage, the homebuying process and preserving homeownership. The successful completion of this free, online course satisfies the homebuyer education requirement for our affordable products. This curriculum was launched on a platform that makes it user friendly on mobile phones, and other electronic devices.

### Regional and Local Initiatives

Freddie Mac also undertakes numerous outreach initiatives designed to expand homeownership opportunities specifically in minority and underserved communities in states and localities across the country. These initiatives include financial capability, homebuyer education and counseling, access to bilingual homeownership information and counseling, outreach to military service members, outreach to women and outreach to individuals and families with disabilities. Freddie Mac also continued to conduct workshops to increase the awareness, understanding and focus of local housing industry participants in the first-time home buying process. These workshops were conducted in several markets with hundreds of industry professionals attending.

Freddie Mac, Fannie Mae, and FHFA have been active supporters of providing resources, translated mortgage documents, communications and outreach for borrowers and potential borrowers with limited English proficiency. To date, we have provided mortgage documents in English, Spanish, and Chinese. In 2020, we plan on providing translations in Vietnamese, Korean and Tagalog.

### Affordable Housing Advisory Council (AHAC)

The Affordable Housing Advisory Council (AHAC) is a group of affordable housing representatives that Freddie Mac convenes to discuss, review and confirm various aspects of our affordable housing approach, policies and initiatives. The group meets via conference call on a quarterly basis and in person annually. In November, the AHAC met to discuss key topics facing the affordable housing industry with approximately 20 representatives from housing finance agencies, lenders, housing intermediaries, housing advocates, housing related associations and other industry stakeholders attending. Attendees participated in a problem framing and design workshop led by Freddie Mac's Innovation Lab to identify and discuss the most pressing issues in today's affordable housing industry.

---

<sup>18</sup> <https://sf.freddie.com/working-with-us/creditsmart/courses>.