

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

FREDDIE MAC

AFFORDABLE HOUSING PRESERVATION

2018 REPORT

EVALUATION AREA: PRODUCT

**ACTIVITY:***Activity 5 – Financing of Small Multifamily Rental Properties: Regulatory Activity***OBJECTIVE:***Objective B: Develop a new offering for small balance loan pool credit enhancement***ACTIONS:**

*In 2018, we met our plan goal. We introduced our Seasoned Pool Credit Enhancement offering, developed a seasoned pool credit policy that can be leveraged for future seasoned pool offerings, and formed a network of intermediaries (much like our Optigo<sup>SM</sup> network, but for seasoned pool transactions).*

*Small financial institutions (SFIs) serve an important role in supporting communities across the country by providing financing for projects that are smaller or locally important. Many of the multifamily loans originated by these financial institutions are focused on smaller projects. Buildings with 5-50 units account for more than one-third of the rental housing in the U.S. Rents in these smaller multifamily projects tend to be lower than those in larger buildings, especially the new Class A properties constructed in recent years.*

*However, these institutions are limited in their lending capacity by regulatory and balance sheet constraints. In 2018, Freddie Mac developed and launched a suite of offerings to provide comprehensive SFI support. In some cases, such as in a rising interest rate environment, SFIs may prefer a Freddie Mac credit enhancement to the loans on its balance sheet instead of relying on a securitization for liquidity. To support this need, we introduced a non-securitized alternative offering that employs credit-tranching, whereby Freddie Mac guarantees the underlying small multifamily loans and the SFI continues to hold the loans on its balance sheet. This supports SFIs that are seeking relief from heavy commercial real estate risk exposure but are operating in an environment that does not favor loan sale and securitization.*

*To enable us to increase our support in accordance with our DTS plan, we created a network of financial intermediaries who will help us to pursue transactions on an annual basis going forward. This is a more resource-efficient way to canvas the breadth of the SFI market and perform preliminary due diligence to determine which institutions have interest in working with us, and which institutions have the business model to support seasoned pools.*

*Though this is a specialized market without a predictable frequency of transactions, each transaction has a significant impact, particularly if SFIs become repeat customers. Ultimately, each credit enhancement enables the bank to continue to lend in support of small properties, which can in turn lead to another credit enhancement or securitization, creating a virtuous cycle of liquidity.*

<b>Planned Actions</b>	<b>2018 Actions</b>
<i>Develop and implement internal credit policy for seasoned SBL pool credit enhancement that will enable lenders to lend more for small multifamily properties while promoting market safety and soundness.</i>	<i>Freddie Mac developed our credit policy for seasoned small balance loan pools in 1Q in 2018 and introduced a formal offering for seasoned small balance loan pool credit enhancements in 4Q2018.</i>
<p><i>Publish an official product term sheet on our website that identifies the product and the acceptable terms.</i></p> <p><i>Include at least the following elements in the term sheet:</i></p> <ol style="list-style-type: none"> <li><i>1. Product 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> </ol>	<p><i>We published our term sheet on our website. This includes the items described in the DTS plan, as well as specifications for the following:</i></p> <ol style="list-style-type: none"> <li><i>1. Product customer</i></li> <li><i>2. Pool size</i></li> <li><i>3. Collateral</i></li> <li><i>4. Freddie Mac Guarantee</i></li> <li><i>5. Flexible structure</i></li> <li><i>6. First loss obligation</i></li> <li><i>7. Property level characteristics</i></li> <li><i>8. Collateral due diligence</i></li> <li><i>9. Servicing</i></li> <li><i>10. Originator representations and warranties</i></li> <li><i>11. Seasoning</i></li> <li><i>12. Market and rate risk of securitization</i></li> </ol>
<i>Gather feedback from the small financial institutions, HFAs, CDFIs, and community banks for whom we credit enhance loans (or attempt to) under Objective D, to refine this offering over time as necessary.</i>	<i>Throughout 2018, Freddie Mac met with various financial institutions including 4 SFI, 5 SFI intermediaries, 3 HFAs, and 4 CDFIs to discuss seasoned small balance loan pools and gather feedback.</i>

**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*)

*In a rising interest rate environment, SFIs may need a way to free up their balance sheet capital without selling loans to investors. We understand from our discussions with SFIs that providing a credit enhancement offering would accomplish this. This offering is part of our suite of seasoned pool executions for SFIs that is foundational for market growth and increases the ability of SFIs to support more people and communities in any rate environment. Where securitizations can free up balance sheet space by returning capital to an institution, certain scenarios (such as a rising interest rate environment or smaller transactions) may make a securitization less desirable. A credit enhancement can be more cost-effective (and would not prohibit an SFI from pursuing a securitization later) and frees up balance sheet space by reducing the risk an SFI is exposed to and frees up the capital they must hold against such exposure. SFIs have not had readily available outlets for multifamily loan concentrations on their balance sheets, Freddie Mac's new offering provides them with a reliable execution and guarantee and allows them to achieve capital relief without the associated burdens of securitization. In creating this offering, we are providing much needed liquidity to this market.*

*As more SFIs become aware of our executions, we expect to see a growth of purchase volumes consistent with our DTS plan, which will create additional liquidity in the market and promote more lending from these institutions in support of very low-, low- and moderate-income renters.*

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*)

*This offering supports our ability to execute of future seasoned pool transactions. We look forward to executing on our Plan in 2019 in support of this market and by providing liquidity so that more small financial institutions can continue to lend in their markets.*

*Additionally, the seasoned pool credit policy we developed in conjunction with this offering will be leveraged for our seasoned pool PC offering in our 2019 DTS plan (Objective C: Develop a New Offering for Small Balance Loan Participation Certificate (PC) Securitization). By having access to all three seasoned pool offerings, SFIs will have flexibility in how they find balance sheet relief – in any rate environment and with various levels of capital markets expertise – so that they may continue to lend to support small multifamily properties.*

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*)

*The primary market challenge that adversely impacted our ability to execute under this offering was the limited viable market size for transactions with SFIs who have sufficient multifamily experience, balance sheets that support this product, and have the strategic objective to free balance sheet space for more lending rather than garner regular returns on their portfolio. Of the 5,347 DTS qualifying institutions, only 123 would be candidates for credit enhancement (under the guideline that they have at least \$100 million of multifamily loans on their portfolio). Of those, 68 have less than \$250 million in multifamily assets, and only 22 have more than \$500 million in assets. Even among these larger organizations, it is not likely that an institution would seek to credit enhance their entire balance sheet at one time. Doing so would sacrifice a percentage of their returns on loans in exchange for the enhancement, and they may prefer to benefit from the added interest income of unenhanced loans. Therefore, the overwhelming majority of potential transactions would necessarily be relatively small in size.*

<b>Multifamily Assets \$</b>	<b># of Banks</b>	<b>Average Total Assets (Thousands)</b>
<b>\$100 - 250MM</b>	<b>68</b>	<b>\$3,455,512</b>
<b>\$250 - 500MM</b>	<b>33</b>	<b>\$5,044,210</b>
<b>\$500MM - 1B</b>	<b>12</b>	<b>\$5,027,389</b>
<b>&gt;\$1B</b>	<b>10</b>	<b>\$6,267,380</b>
<b>Grand Total</b>	<b>123</b>	<b>\$4,263,709</b>

Source: Bank Call Report data as of 1/10/2019

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)

*The development and promotion of this offering is important to our ability to more broadly provide liquidity to SFIs and for us to meet or exceed our increasing DTS targets in this market. Our goal will be to find institutions with which we can execute individual transactions and form an ongoing partnership that allows them to lend and us to continually provide liquidity through regular seasoned pool executions (securitizations, credit enhancements, or PCs) over time. The options we are providing to SFIs will enable them find balance sheet relief – in any rate environment and with various levels of capital markets expertise – so that they may continue to lend to support small multifamily properties.*

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

**OBJECTIVE:**

*Objective B: Develop a new offering for small balance loan pool credit enhancement*

**ACTIONS:**

Providing liquidity to small financial institutions so they can lend more for small multifamily properties is an important priority for Freddie Mac Multifamily. These financial institutions are constrained in their lending abilities either by regulatory requirements or by access to balance sheet capital. We can alleviate these constraints by offering a seasoned pool credit enhancement to these institutions, especially for those institutions that lack the in-house capital markets expertise required for securitizations.

In the first half of 2018, we have nearly completed all activities for this objective. We completed formal development of credit policy for seasoned small balance loan pools, and gathered feedback from potential customers. We will publish our product term sheet in advance of the end of the year.

Action Category	Action Reference – Activity 5; Objective B	Status
Market Actions	Action 1	Introduce formal product – Complete
	Action 2A-F	Publish Term Sheet – Outstanding
	Action 3	Gather Feedback from small financial institutions, HFAs, CDFIs, and community banks – 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

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