

Exhibit G:
Annual Loan Products Narrative Reporting Template

FREDDIE MAC

RURAL HOUSING

2018 REPORT

EVALUATION AREA: PRODUCT

ACTIVITY:

Activity 5 – Single-Family Rental in Rural Markets: Additional Activity

OBJECTIVE:

Objective B: Develop offering for SFR transactions containing homes in rural areas

ACTIONS:

Over the course of 2018, Freddie Mac exceeded our DTS plan for this objective. Per the plan, we developed an SFR offering that contained terms for transactions that include, but are not limited to, homes in rural areas. We specifically exceeded the plan by executing our first transaction ahead of schedule and at a higher concentration of rural units (88%) than the minimum defined in our parameters (10%), and all were affordable to renters making at or below 80% AMI. In fact, this offering development extended well beyond offering terms. We effectively created an efficient secondary market infrastructure for affordable SFRs where none had existed before. We had a direct and substantial impact in approximately a year of business under our SFR pilot with \$1.3 billion of loans supporting approximately 15,000 SFRs, including a substantially high impact transaction in rural markets.

In addition to the immediate impact, this offering will have a profound future impact. It lays the groundwork for long-term liquidity for SFRs in rural markets, connects rural SFRs to the national market of SFRs to facilitate more standardization and better terms and risk distribution, and requires affordability at origination. Our pilot demonstrated that a viable business can be built around this. This activity required extraordinary effort, was very successful, and appeared likely to have been scalable over the long term. On August 21, 2018, FHFA announced that it would not extend Freddie Mac's pilot. Even so, the precedent we set here, as well as the parameters used, can be leveraged by others in the market who may choose to develop a secondary market to support affordable and rural SFRs.

In developing this offering, Freddie Mac undertook the following actions:

- *Conducted extensive outreach*
- *Established legal infrastructure*
- *Developed credit policies and standards around underwriting, asset management, insurance, replacement reserves, property quality, inspection and leases*
- *Formulated a network of eight primary market SFR lenders and servicers. Developed risk-transfer executions to be able to distribute risk away from taxpayers and attract private capital into the affordable SFR market*

SFRs have long made up a significant portion of the national overall rental market. This number of SFRs has grown in recent years and represents an even larger share in rural markets. The total number of SFRs is approximately 23 million: 53% of the total rental market. In rural markets, there are nearly 5 million SFR households, which represents 66% of the rural rental market of 7.5 million households.

Our involvement in the SFR market was intended to lead to greater standardization and more decent affordable housing for renters. This activity was innovative and transformative for the market, with no similar precedent focused on affordable or rural SFRs.

Planned Actions	2018 Actions
Meet with at least three operators, three property managers and three lenders to determine best practices for underwriting, property management, and financing parameters	Freddie Mac met with 7 SFR operators, 4 property managers and 9 lenders.
Attend at least 2 SFR Conferences	Freddie Mac attended the Single-Family Rental Summit in Nashville, TN and the IMN SFR Investment Forum - East in Miami, FL.
<p>Establish underwriting parameters as evidenced by a term sheet for a SFR loan product that will contain at least the following elements:</p> <ol style="list-style-type: none"> a. SFR collateral type b. Loan term c. DCR and LTV loan sizing criteria d. Amortization e. Minimum loan size f. Property release and substitution requirements g. Minimum number or percentage of units in rural areas to receive DTS credit 	<p>We established underwriting parameters for this market that provide greater flexibility to borrowers than what had previously been offered. We offered non-recourse loans with longer terms, and we included affordability requirements at loan origination.</p> <p>Term Sheet Includes:</p> <ol style="list-style-type: none"> 1. Product Description 2. Eligible Property Types/Markets 3. Eligible Borrowers 4. Affordability Requirements 5. Loan Terms 6. Amortization 7. Interest Only Availability 8. Interest Rate Type 9. Minimum Loan Size 10. Minimum Debt Coverage Ratio (DCR) 11. Maximum Loan to Value (LTV) 12. Loan to Cost (LTC) 13. Servicing Fee 14. Insurance Requirements 15. Prepayment 16. Property Management 17. Escrows 18. Application Fee 19. Geographic Location 20. Recourse 21. Valuation Requirements 22. Financial Reporting 23. Cross-collateralization 24. Pledge Collateral 25. Releases (Property release and substitution requirements) 26. Third-Party Providers 27. DTS Qualification Criteria
Establish legal infrastructure to support these transactions in a safe and sound manner	<p>We identified and selected three outside law firms to serve as single-counsel to represent Freddie Mac and our SFR lenders for this offering.</p> <p>We established a complete legal document infrastructure from the ground up for SFRs including:</p> <ol style="list-style-type: none"> 1. Assignment of Management Agreement and Subordination of Management Fees 2. Financing Statement (Borrower) Exhibit B 3. Financing Statement (Pledgor) Exhibit A 4. Fixed-Rate Note 5. Floating-Rate Note 6. Guaranty 7. Guaranty Rider - Minimum Net Worth/Liquidity 8. Loan Agreement 9. Omnibus Assignment 10. Opinion - Borrower and Pledgor 11. Opinion - Guarantor

	<p>12. <i>Pledge Agreement</i> 13. <i>Seller Certification of Outstanding Items</i> 14. <i>Single-Counsel Certification</i> 15. <i>Substitution Rider</i> 16. <i>Uniform Covenants</i> 17. <i>State-Specific Security Instruments</i></p>
<p><i>Publish a term sheet on our website for an SFR loan product that will contain at least the following elements:</i></p> <p>a. <i>SFR collateral type</i> b. <i>Loan term</i> c. <i>DCR and LTV loan-sizing criteria</i> d. <i>Amortization</i> e. <i>Minimum loan size</i></p>	<p><i>We published a term sheet for our lenders. See above for term sheet items.</i></p>
<p><i>Directly engage with at least 3 lenders to promote this product</i></p>	<p><i>We formulated a network of 8 lenders.</i></p>
<p><i>Include portion of units in rural areas in requirements for DTS credit</i></p>	<p><i>We established a minimum requirement for DTS credit that the lesser of 50 units or 10% of the units in a transaction be located in a DTS-designated rural area and be affordable at 100% of AMI. We included this in our SFR term sheet.</i></p>
<p><i>Assemble team of production, underwriting, capital markets, and servicing professionals</i></p>	<p><i>Across 11 business platforms (Purchase, Production, Underwriting, Legal, Capital Markets, Research, Marketing, Business Management, Credit Policy, Insurance, and Asset Management) we have leveraged the expertise and involvement of more than 60 individuals to work on the successful launch and implementation of this offering as part of the SFR working group.</i></p>
<p><i>Provide 1 to 3 training sessions to internal staff</i></p>	<p><i>Freddie Mac hosted two internal trainings on the SFR offering, as well as weekly deal pipeline calls with all relevant parties, and bi-weekly working group meetings with representatives from the groups identified above.</i></p>
<p><i>Provide 1 to 3 training sessions to lenders</i></p>	<p><i>Freddie Mac hosted an SFR lender training workshop in March, as well as 6 lender-specific trainings in 2018. Additionally, we held numerous informal trainings on offering process and parameters when we met with SFR lenders at conferences and when we held weekly deal pipeline calls.</i></p>

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)

We demonstrated market leadership by developing an SFR offering. It (A) is innovative and transformative, with no similar precedent focused on affordable or rural SFRs, (B) required extraordinary effort, and (C) succeeded in supporting a rural SFR transaction ahead of our DTS plan with a far higher concentration of rural units (88%) than defined in our parameters (10%).

- A. *We laid the groundwork for long-term liquidity for SFRs in rural markets, and we created a secondary market around an innovative, high impact offering.*
- i. *We set high standards for underwriting, asset management, insurance, replacement reserves, property quality, inspection and leases that benefit renters through better quality housing and greater renter choice*
 - ii. *We established better financing terms than others in the market: non-recourse loans, fixed rate, with longer terms that reduce overall financing costs, allow for capital improvements, and reduce economic pressures to raise rents*
 - iii. *We required significant affordability*
 - iv. *We required borrowers to escrow for and complete repairs identified by appraisers and inspectors as part of underwriting, and we required ongoing inspections post-close to evaluate the homes*
 - v. *We established a model to attract private capital and distribute risk away from taxpayers*
 - vi. *We connected rural SFRs to our national market of SFRs to facilitate more standardization and better terms and risk distribution*
- B. *We expended extraordinary effort to develop this market.*
- i. *We had to overcome several key hurdles*
 - a. *Develop expertise in this asset class*
 - b. *Create new relationships with owner/operators and lenders*
 - c. *Set new standards for underwriting, asset management, insurance, replacement reserves, property quality, inspections, and leases*
 - d. *Develop new risk distribution methods*
 - ii. *We leveraged the expertise and involvement of 11 business lines (60 individuals) to work on the successful launch and implementation of this offering*
- C. *We executed a significant rural SFR transaction in our first year of business, preserving 367 rural SFR units*
- i. *PK Housing, a Michigan-based owner/operator of rural multifamily properties with deep expertise in USDA programs, acquired a portfolio of USDA 515 properties and SFRs across Indiana, Ohio and Michigan. Of the 415 units in the SFRs, 367 units, or 88% of the portfolio, are located in rural areas and 100% of the units were affordable at 80% AMI at the time of loan origination. Because the SFRs were all adjacent to USDA 515 properties they were also acquiring, PK could manage the properties together cost-effectively. PK noted that our SFR loan was the only cost-effective source of capital that could facilitate the acquisition of all the SFR units scattered across states and enable them to execute their preservation strategy. Without PK acquiring the properties, the SFR portfolio likely would have been split apart and sold to individual owners without PK's mission focus.*

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 activity supported additional research and sample transactions planned for 2019, followed by deliberate pursuit and purchase of at least 6 SFR portfolios that include DTS qualifying homes in rural markets. Keeping in mind that under the pilot we have executed 29 transactions totaling approximately \$1.3 billion and supporting approximately 15,000 SFRs, 6 rural transactions would have been substantially impactful. Because the pilot was not extended, all future year SFR activities will be removed from our DTS plan.

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 addition to the many detailed challenges, there were three major factors that made the development and success of this offering especially challenging:

- A. *There was no precedent for us to follow (described above in question 1)*
- B. *The unique characteristics of the rural market and associated challenging deal economics*
 - a. *Rural markets tend to have lower incomes and be farther from major employment centers. As such, the properties are not able to command as much rental income to support debt service, and loan sizes tend to be smaller and less attractive to lenders.*
 - b. *Properties tend to be farther apart, making transactions more labor intensive and costly. There is not a cost-effective inspection and evaluation process given disparate locations.*
 - c. *Appraisals can be challenging in areas where there are limited comparable properties.*
- C. *The end of Freddie Mac’s SFR pilot in 2018*

In completing our activities in the plan, we were also faced with, and addressed, many detailed market challenges:

Challenge	Freddie Mac Solutions
<i>Current market lenders do not support properties with an appraised value of \$50,000 or less</i>	<i>We have no floor on individual property values.</i>
<i>Current lenders do not have a viable and scalable secondary market</i>	<i>We scaled our SFR business to \$1.3 billion.</i>
<i>Limited understanding of the size and scope of SFRs in rural areas</i>	<i>We published a white paper in 2018 that addresses this.</i>
<i>Appraisals can be challenging in areas where there are limited comparable properties</i>	<i>We developed three approaches to valuations: (1) standard SF appraisal, (2) Desktop appraisal based on data analytics, or (3) an income cap approach (more commonly used in Multifamily) on certain portfolios.</i>
<i>There is currently not an industry standard for risk distribution or connection to the capital markets except in select cases with large institutional investors</i>	<p><i>We have two risk distribution methods at our disposal.</i></p> <ul style="list-style-type: none"> A. <i>We developed our FRE SFR execution: a securitization structure that allows us to either (1) securitize SFR loans we purchase, or (2) securitize seasoned SFR loans from qualifying institutions (this provides liquidity to institutions that have seasoned SFR portfolios, which in turn enables them to relend capital to this developing part of the market, and to do so at more attractive terms.)</i> B. <i>We have the ability to leverage our investment fund infrastructure for SFRs</i>

A. **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 creation of this offering — and a viable, scalable secondary market for affordable SFRs — is fundamental to our ability to purchase loans on rural SFRs. This activity was intended to support the deliberate pursuit and purchase of at least 6 SFR portfolios that include DTS qualifying homes in rural markets. Keeping in mind that under the pilot we have executed 29 transactions totaling approximately \$1.3 billion and supporting approximately 15,000 SFRs, 6 rural transactions would have been substantially impactful. Because the pilot was not extended, all future year SFR activities will be removed from our DTS plan.

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

RURAL HOUSING

2Q REPORT

EVALUATION AREA: PRODUCT

ACTIVITY:

Activity 5 – Single-Family Rental in Rural Markets: Additional Activity

OBJECTIVE:

Objective B: Develop offering for SFR transactions containing homes in rural areas

Single-Family rental comprises a substantial segment of the rural rental market. 66 percent of rural renters live in single-family rental (SFR) homes: 49 percent in one-unit homes, and 17 percent in two-to-four-unit homes. The market for SFRs lacks standardization, and this lack of standardization leads to variances in tenant opportunities and the quality of SFRs in which they reside. As a result, we have focused on enabling our SFR offering to support rural properties. In the first half of the year, we have sought market feedback through engagement with lenders, property managers, and owners, and attended conferences. In the third quarter, we published the SFR Seller/Serviceers that includes reference to DTS rural qualifications. After publication, in 3Q2017, we learned that FHFA has determined that our SFR pilot (and therefore rural SFR offering) will not be extended beyond our initial allocation of \$1.3B of transaction volume, which will be reached before the end of 2018.

ACTIONS:

Action Category	Action Reference – Activity 5; Objective B	Status
Underwriting Actions	Action 1	Attend at least 2 SFR Conferences – Complete
	Action 2A-G	Establish UW Parameters – Complete
	Action 3	Establish Legal Infrastructure – Complete
Market Actions	Action 1A-E	Publish Term Sheet – In Process (Completed in 3Q)
	Action 2	Directly Engage with at least 3 lenders – Complete

	Action 3	Include portion of units in rural areas – Complete
Resource Actions	Action 1	Assemble team of production, UW, capital markets, and servicing professionals – Complete
	Action 2	1 to 3 training session to internal staff – Complete
	Action 3	1 to 3 training sessions to S/S – 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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