

## Exhibit E:

## Annual Loan Purchase Narrative Reporting Template

FREDDIE MAC

RURAL HOUSING

2018

LOAN PURCHASE

## ACTIVITY:

Activity 3 – Financing by Small Financial Institutions of Rural Housing; Regulatory Activity.

## OBJECTIVE:

Objective A: Increase Loan Purchases from Small Financial Institutions Serving Rural Regions.

## SUMMARY OF RESULTS:

	Loan Count			UPB (\$M)
<b>Baseline</b>	3,894			-
<b>2018 Target</b>	4,550 – 4,700			-
<b>2018 Volume</b>	4,901			\$581
<b>Incomes Targeted</b>	<b>VLI</b>	<b>LI</b>	<b>MI</b>	
	852	3,266	4,901	

Freddie Mac exceeded our target for loan purchases from small financial institutions in rural regions. We achieved strong results expanding access to affordable housing in a responsible manner consistent with our business strategy of providing market leadership to a historically underserved market segment.

Freddie Mac's goal of serving all corners of the housing market included the purchase of single-family mortgages from small financial institutions in rural regions. We established a baseline of 3,894 loans. Using that baseline, we ambitiously set a 2018 purchase target range of 4,550 – 4,700 loans. **As a result of Freddie Mac's efforts to expand outreach with lenders and support an increase in the number of small financial institutions that are approved Freddie Mac Seller/ Servicers, and by our investments in sourcing new purchase data information, we purchased 4,901 income-qualifying rural loans from small financial institutions, providing \$581 million in liquidity, which represents a 26 percent (by volume) increase over our baseline.** This compares to \$429 million to fund 4,017 of qualifying loans in 2017. Despite a cooling in overall owner-occupied Single-Family loan purchases of 11 percent as compared to 2017, our outreach activities successfully increased Duty to Serve-qualified purchases from small financial institutions by 22 percent, with purchase money volume up 33 percent and refinance volume up 10 percent.

During 2018, we enhanced our reporting infrastructure to effectively identify small originators in rural areas, and updated DTS counting methodology to reflect small financial institution purchase activity through a Freddie Mac approved Seller/Servicer, as well as those delivered to Freddie Mac directly by small financial institutions. With this reporting infrastructure and classification enhancement, we believe that our metrics to assess performance is more meaningful. We updated our counting methodology starting the third quarter to include the purchases of loans from small financial institutions directly and from other Freddie Mac Sellers that sold loans to us but were originated by a small financial institution. The first and second quarter reports did not include loans sold to us through another Freddie Mac Seller. Subsequent reports include originations by a small financial institution that we purchased from other institutions, in all quarters.

We intend to aggressively pursue our lender outreach initiative to increase the number of small financial institutions that can originate loans intended for sale into the secondary market using Freddie Mac products, programs and services. This includes; low down payment options, renovation mortgages, technical training, balance sheet management options, direct and indirect selling channels, homebuyer preparation support, and marketing support.

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

*Small financial institutions are the primary sources of credit within rural communities; they are vital to their communities' economic health and well-being. In rural areas, however, these institutions historically have had limited or no access to the secondary market. We provided over \$580 million in liquidity to this historically constrained market through our purchases. By increasing our purchase volume, small financial institutions have additional liquidity to offer more mortgages to qualified homebuyers and further develop underserved areas. Our 2018 purchases exceeded our targets by 4 percent (by volume), helping that many more families achieve homeownership.*

*Freddie Mac focused our efforts specifically to depositories and credit unions that traditionally formed the bedrock of many rural communities. Given the limited resources of these institutions, our outreach, secondary mortgage market execution options, and training and education programs provide material support to their mortgage operations. For those institutions we reach indirectly, we leverage our strong partnerships with mortgage aggregators that provide servicing released options and other services for small financial institutions. We also worked with broker/dealer organizations that specialize in providing balance sheet advice to small institutions to provide seasoned loan liquidity options. This execution option will free up additional lending capital.*

*Taken together, the efforts undertaken by Freddie Mac provide meaningful economic and resource support to these institutions and markets.*

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)

*Our 2018-2020 Duty to Serve Plan reflects our commitment to increase our purchase volume over the Plan cycle. Increasing our engagement with small financial institutions (including community development financial institutions) and lenders that can serve as*

*aggregators for small financial institutions, and developing relationships with more stakeholders, such as trade organizations that include community lenders in their membership, will help increase access to liquidity for small institutions in rural regions. Through our purchase activity, we have deepened our understanding of the unique needs of this underserved market, giving us invaluable insight needed to continue developing solutions and approaches to effectively serve those needs.*

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)

*Several structural market factors kept us from additional purchases from rural small financial institutions. As research has shown, home construction overall, not just affordable home construction, is not keeping up in meeting demand in addition to domestic migration patterns are changing the housing needs in rural communities. Compounding these challenges are the gradual rise in interest rates. Overall market originations fell 8% between 2017 and 2018.*

*As shown by FDIC data, the number of institutions in banking continues to shrink. From 1997 – 2017, the number of banks fell from 10,700 to 5,600, with about 97% of the decrease accounted for by community banks. From 2017 – 2018, there was a further reduction of 200 commercial banks. This trend is expected to continue.*

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)

*We made a deliberate corporate commitment to increase our purchases of rural housing mortgages by small financial institutions in addition to significantly increasing our customer outreach focus. The use of new data sources opened additional avenues for direct customer dialogue and opportunities with lenders that sell to Freddie Mac through indirect channels.*

*Freddie Mac's community lending Sales support and focus over the last several years is a key driver of our future success with these institutions. Additionally, our enhanced capabilities in servicing released offerings and seasoned loan purchase options fit perfectly with the needs of small financial institutions.*

*Attach the data specified for Loan Purchase objectives in Section 3 of this document.*

## Quarterly Loan Purchase Narrative Reporting

FREDDIE MAC

RURAL HOUSING

Q1: JANUARY THROUGH MARCH 2018

LOAN PURCHASE

### ACTIVITY:

*Financing by Small Financial Institutions of Rural Housing; Regulatory Activity.*

### OBJECTIVE:

*Objective A: Increase Loan Purchases from Small Financial Institutions Serving Rural Regions.*

### SUMMARY OF RESULTS:

*Freddie Mac is actively pursuing an increase purchases from small financial institutions serving rural regions that have an asset size of less than \$304 million.*

*Freddie Mac's single-family mortgage loan purchase volume forecast for 2018 was quantified through historical analysis of loan purchases from 2014 – 2016. We established a baseline of 3,894 loans, and a 2018 purchase target range of 4,550 - 4,700 loans. Actual volume of loan purchases in the first quarter was 667 loans and we expect to be on track for meeting 2018 purchase targets.*

*In reviewing current production trends for the first quarter, Freddie Mac's DTS qualified purchase volume from small financial institutions is down 20% as compared to the same period in 2017. This is consistent with the decrease in overall Single Family loan fundings of 23% in the first quarter as compared to the first quarter of 2017. Both DTS qualifying purchase-money volume and refinance volume from small financial institutions have decreased 11% and 23%, respectively. However, as we review loan purchase activity for the month of April, it is trending in line with 2016 levels. We anticipate that during the spring and summer seasons production will increase which combined with our outreach activities to lenders will keep us on pace to meet production goals for 2018.*

*To increase loan purchases for the remaining quarters of 2018, we are aggressively expanding our lender outreach to small financial institutions that have been continuously originating loans in rural regions, but either retaining the loans in their portfolio or selling to others in the market. We will also expand our partnerships with lenders in the rural market that can serve as aggregators for small lenders that are not current direct sellers to Freddie Mac, and determine opportunities on how to encourage more selling activity at the secondary market level. As we look to strengthen our partnerships with small lenders and understand the barriers to selling to Freddie Mac or selling loans in the secondary market generally, we will continue our outreach on providing technical assistance on how to use our products and available resources, in addition to pairing partnerships with our existing lenders and non-profit partners to promote information sharing on best practices.*

### 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):

*Not applicable*



## Quarterly Loan Purchase Narrative Reporting

FREDDIE MAC

RURAL HOUSING

Q2: JANUARY THROUGH JUNE 2018

LOAN PURCHASE

### ACTIVITY:

*Activity 3: Financing by Small Financial Institutions of Rural Housing; Regulatory Activity.*

### OBJECTIVE:

*Objective A: Increase Loan Purchases from Small Financial Institutions Serving Rural Regions.*

### SUMMARY OF RESULTS:

*Freddie Mac's single-family mortgage loan purchase volume target for 2018 was derived by taking the average of the number of income qualifying loans purchased from 2014 to 2016. We established a baseline of 3,894 loans and set a purchase target range of 4,550 - 4,700 loans. As of June 30, 2018, actual purchase volume is 1,546 loans.*

*To better understand the purchase trends, we compared the purchase activity to the same time period of 2017. Freddie Mac's overall DTS qualified loan fundings from small financial institutions is down 28% as compared to the same period in 2017. This is consistent with the decrease in overall single-family loan fundings (by volume) of 7%. Through this analysis, we recognized a decrease in DTS qualified purchase money volume by 22% and a decrease of refinance volume by 25%. We believe that housing market growth and the expected seasonal impact on loan purchases will result in increased purchase volumes in the second half of the year. Combined with our outreach activities to lenders, we believe we are on pace to meet purchase goals for 2018.*

*During the second half of 2018, Freddie Mac intends to aggressively expand our lender outreach to small financial institutions that have been continuously originating loans in rural regions, and either retaining the loans in their portfolio or selling to others in the market. We will also expand our partnerships with lenders in the rural market that can serve as aggregators originating through their own lending operations and to serve small lenders that are not current direct sellers to Freddie Mac. This will help determine how to encourage more selling activity at the secondary market level. As we look to strengthen our partnerships with small lenders and understand the barriers to selling to Freddie Mac or selling loans in the secondary market generally, we will continue our outreach on providing technical assistance on how to use our products and available resources, in addition to pairing partnerships with our existing lenders and non-profit partners to promote information sharing on best practices.*

### 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):

*Not applicable*

## Quarterly Loan Purchase Narrative Reporting

FREDDIE MAC

RURAL HOUSING

Q3: JANUARY THROUGH SEPTEMBER 2018

LOAN PURCHASE

### ACTIVITY:

*Activity 3: Financing by Small Financial Institutions of Rural Housing; Regulatory Activity.*

### OBJECTIVE:

*Objective A: Increase Loan Purchases from Small Financial Institutions Serving Rural Regions.*

### SUMMARY OF RESULTS:

	Loan Count	UPB (\$M)
<b>Baseline</b>	3,894	-
<b>2018 Target</b>	4,550 – 4,700	-
<b>YTD 2018 Volume</b>	3,675	\$437

*We have seen improvement in our volume of single-family loans funded in rural areas from small financial institutions. Notwithstanding the headwinds that consumers and lenders have been facing, upward ticking interest rates, lean inventories and increased housing costs, we expect to continue to see increasing loan purchases through our solid partnerships and also enhancements of our reporting capabilities in this market segment.*

*Freddie Mac's single-family mortgage loan purchase volume target for 2018 was derived by the average of the number of income qualifying loans purchased from 2014 to 2016. We established a baseline of 3,894 loans and set a purchase target range of 4,550 - 4,700 loans. As of 3Q2018, actual purchase volume is 3,675 loans.*

*To put purchase metrics in context, we compared the performance of our 3Q2018 purchase activity to the same time period in 2017 and discovered a decrease in overall single-family loan fundings (by loan count) of 6%. Freddie Mac's overall DTS qualified loan fundings from small financial institutions is up 18% as compared to the same period in 2017. Through this analysis, we recognized an overall increase in DTS qualified purchase money volume by 26% and an increase of refinance volume by 10%. We expect an overall positive trend to continue with a steady climb of purchase volumes through 4Q2018.*

*In the third quarter, we focused on enhancing our reporting infrastructure to effectively identify small originators in rural areas, updated DTS qualifying methodology to reflect all lenders that meet the small financial institution definition, (i.e., depository institutions and credit unions) and reviewed deliveries to determine if the purchase activity was through a Freddie Mac approved Seller/Servicer. During this period, we expanded our outreach in the rural market and had substantive traction with lender engagement. We leveraged our partnerships with lenders in this market and have seen these efforts come to fruition with an overall net increase in purchase activity.*

*We intend to aggressively pursue our lender outreach initiative, facilitating discussions with lenders, partners in the market that can serve as aggregators to small lenders that are not current direct sellers to Freddie Mac, and other small financial institutions. We will also provide technical training and provide toolkits on our products and available resources to enable lenders to lend confidently in this market segment and ultimately, providing liquidity and affordability for homebuyers.*

### 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):**

*Not applicable*