

Exhibit E:  
**Annual Loan Purchase Narrative Reporting Template**

FREDDIE MAC

AFFORDABLE HOUSING PRESERVATION

2019

PURCHASE

**ACTIVITY:**

1 - Low Income Housing Tax Credits (Debt): Statutory Activity

**OBJECTIVE:**

A - Provide Liquidity and Stability Through LIHTC Loan Purchases

**SUMMARY OF RESULTS:**

	LIHTC Units	Properties
<b>Baseline (2014-2016)</b>	19,773	143
<b>2019 Target (lesser of)</b>	21,500	160
<b>2019 Volume<sup>1</sup></b>	54,302	373
<b>Incomes Targeted</b>	As required by LIHTC program	

In 2019, Freddie Mac exceeded by 32,802 units our annual target for purchases of mortgages with LIHTC debt. Our success and substantial impact on the market resulted from long-standing investment in our business and loan offerings, and our ability to leverage the capital markets to distribute risk away from taxpayers and access cost-effective private investment capital at significant scale.

Our projected goal was to exceed our 3-year average from 2014-2016, and we ambitiously set our target over our baseline as the lesser of 21,500 units or 160 properties. This target is well above the historical volume of competitors in the market. While there are no reliable estimates of the total annual LIHTC debt origination market size, we have long been the GSE leader in this market. As such, we set our goals to ensure we could achieve a numerical measure of success without sacrificing market discipline, given that market challenges could limit opportunities to support LIHTC debt.

In 2019, we purchased more loans on LIHTC properties and supported more DTS qualifying units than ever before while maintaining strong credit standards. Our 2019 loan purchases represent an increase of 173% over our baseline number of units, and a 160% increase over our baseline number of properties, and 151% over our target number of units, and a 133% increase over our target number of properties. Moreover, our 2019 purchases represent a 29% increase in units over 2018 (41,926 units).

Through the volume of loans we purchased, the breadth and distribution of properties we supported, and the unique ability of our business model to attract private capital and distribute risk, we had a substantial impact on the LIHTC debt market in 2019. We have also distributed risk away from Freddie Mac and the taxpayer: 85% of the loans on LIHTC properties which we purchased in 2019 have already undergone risk transfer or have risk transfer pending, while the remaining 15% await determination of the optimal risk transfer method.

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

#### SELF-ASSESSMENT RATING OF PROGRESS:

*Select the category that best describes progress on this objective for the year.*

- Objective met
- Objective exceeded
- Objective partially completed:
  - 75-99% (substantial amount)
  - 50-74% (limited amount)
  - 25-49% (minimal amount)
  - 1-24% (less than a minimal amount)
- No milestones achieved

#### IMPACT:

*Provide a self-assessment of the level of impact that actions under the objective have accomplished.*

- 50 – Substantial Impact
- 40
- 30 – Meaningful Impact
- 20
- 10 – Minimal Impact
- 0 – No Impact

#### IMPACT EXPLANATION:

*Answer the following questions.*

1. **How and to what extent were actions under this objective impactful in addressing underserved market needs, or in laying the foundation for future impact in addressing underserved market needs? (limit: 3,000 characters, including spaces)**

Freddie Mac's record purchase activity in 2019 had a substantial impact on the Affordable Housing Preservation market based on volume alone. However, there were many additional factors that demonstrated our value and impact. These factors support the long-term provision of consistent liquidity to this segment of the market and are a direct result of the efforts of Freddie Mac, our Optigo<sup>SM</sup> lenders and the structure of our market-leading credit risk transfer model, which allows us to have a high impact on the market without added risk to Freddie Mac or the taxpayer.

- a. We support a broad range of affordable housing in terms of geography and size of property. Our support was national in scope, with 371 properties in 46 states. Localities ranged from Vancouver, WA to Miami, FL, in cities as large as New York, NY (Pop. 8.5 million) and as small as Pulaski, TN (Pop. 7,758). The properties also varied in size; from a 10-unit property with all LIHTC units in Los Angeles, CA to a 940-unit development with all LIHTC units in Houston, TX.
- b. We support high impact properties, demonstrated clearly in two example properties: (1) Federation Towers Apartments is a rehabilitated property in Miami, FL that received 4% LIHTC and Freddie Mac debt. Our loan supported the rehab of this 100% Section 8 property in such a way as to reduce rents by restructuring existing debt to levels supportable by lower rents. The property is subject to a Section 202

regulatory agreement that restricts units to tenants age 62+ and handicapped persons and families; and (2) Villages of East Lake is another example of a high impact property that received a 4% LIHTC Tax Exempt Loan, which financed the renovation of 542 units in Atlanta, GA. The improvements will extend the useful life of the property while keeping rents affordable to residents. The residents also benefit from preferred admission to the adjacent Charter School.

- c. We attract private capital to distribute risk. Under our securitization models, such as our K-Deals and ML-Deals, we execute near complete risk transfer away from taxpayers and Freddie Mac. 85% of the loans on LIHTC properties which we purchased in 2019 have already undergone risk transfer or have risk transfer pending, while the remaining 15% await determination of the optimal risk transfer method. At the same time, we maintain strong credit standards. In our history of securitizations, we have never had any delinquencies on any of our LIHTC loans in a K- or ML-Deal. And we attract private capital from a wide variety of investors to support affordable housing. Our K-Deals have attracted over 700 different investors since the inception of the program in 2009, with 347 participating in 2019.<sup>1</sup>

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

Freddie Mac has a long history of supporting the AHP market and LIHTC that taught us about market needs. We continue to evolve our business to address them.

We learned we could streamline financing on properties with 4% LIHTC, so we introduced our Tax-Exempt Loan (TEL). This reduced transaction costs and timing compared to credit enhancements of private activity bonds (PABs), the previous market standard. As a result, we were able to increase our support for affordable housing preservation, especially for tax exempt debt financing. Since 2014, we further modified the TEL, enabling it to work with 501(c)(3) bonds in addition to PABs, providing floating rate and float-to-fixed rate TELs, supporting moderate rehab of existing properties and forward committing to take out construction loans.

We learned we should focus more effort on preserving existing properties. Through 2015 and 2016 we targeted offerings and business towards these properties. After this period the vast majority of our business has been focused on cash preservation loans on existing properties.

We saw the need to combine major public subsidies such as LIHTC with state and local programs to close capital shortages. We streamlined our regulatory agreement analysis and refined our standard subordination agreement to make it more accessible to a growing population of localities providing support, and we worked closely with various localities and agencies programmatically and on individual transactions.

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

Not applicable

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

<sup>1</sup> [https://mf.freddiemac.com/docs/mf\\_securitization\\_investor-presentation.pdf](https://mf.freddiemac.com/docs/mf_securitization_investor-presentation.pdf)

# Quarterly Loan Purchase Narrative Reporting Template

FREDDIE MAC

AFFORDABLE HOUSING PRESERVATION

1Q 2019 REPORT

EVALUATION AREA: PURCHASE

## ACTIVITY:

*Activity 1 – Low Income Housing Tax Credit (Debt): Statutory Activity*

## OBJECTIVE:

*Objective A -- Provide liquidity and stability through LIHTC loan purchases*

## SUMMARY OF RESULTS:

	<b>Units</b>	<b>Properties</b>
<b>Baseline</b>	19,773	143
<b>2019 Target (lesser of)</b>	21,500	160
<b>1Q 2019 Volume<sup>1</sup></b>	9,961	74

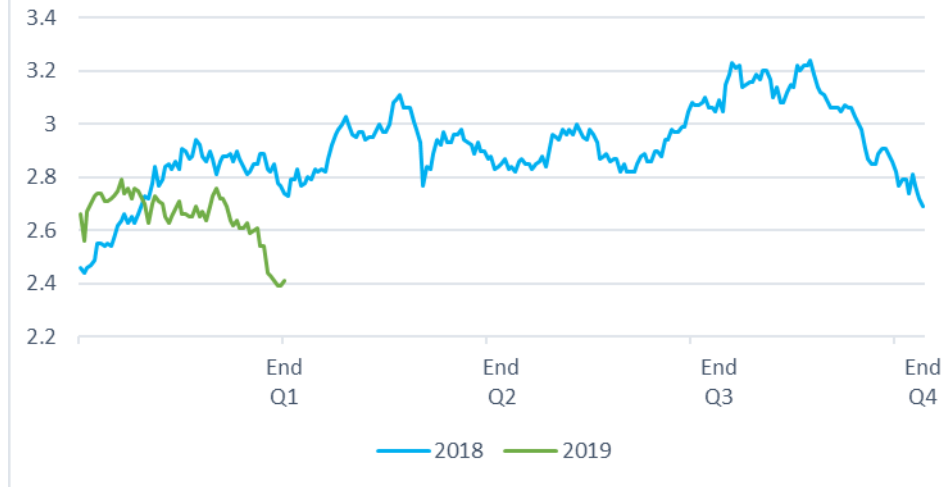
Through the first quarter of 2019 we are on track to meet or exceed our targets as a result of continued investment in our platform, emphasis on LIHTC debt with our Optigo lenders, and our ability to leverage the capital markets to access cost-effective private capital and distribute first-loss risk away from the taxpayer.

Through the first quarter we have seen decreasing treasury rates as compared to late 2018. As a result, borrowers have taken advantage of the favorable rate environment, our robust suite of offerings, and our capacity to support the increased need in the market. While treasury rates have recently decreased, our experience from 2018 demonstrates that there remains the possibility of rising rates in the future, which may impact our loan purchase volume for the remainder of the year.

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<sup>1</sup> Freddie Mac's 2019 purchases of LIHTC debt reflects the total volume from our retail platform, including both our TAH retail network and our conventional regional network, as well as TAH individually negotiated transactions. The total 2019 purchase volume was calculated in a manner that is consistent with the Baselines and Targets in our DTS Plan.

## 10 Year Treasury



### 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

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